NEW COLUMNIST — DALE TURNER
INTERVIEWS WITH MURRAY, SCHRICHTE

Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM ▲ ARMY TIMES PUBLISHING COMPANY NOVEMBER 1982 $2.00

11/15/82
C0500-1.

COUPON CRAZY!

Military Market MAGAZINE FOR THE MILITARY RETAIL SYSTEM November 1982
ARMY TIMES PUBLISHING COMPANY VOLUME 33, NO. 11

CONTENTS

FEATURES

PHONE SURVEY: COUPONS
Commissary managers are unanimously in favor of them. **Page 12**

NEW COLUMNIST BITS & PIECES
Dale Turner gives merchandising tips for November. **Page 14**

HOT BEVERAGES COOL OFF
Americans are drinking less of America's favorite brew. **Page 18**

MATERNITY — A GROWING CONCERN
Baby boomers are buying for the baby boomlet. **Page 22**

SYSTEM OF THE MONTH— AAFES
Maj. Gen. Murray on spending, the UA survey, industry, more. **Page 28**

COVER STORY: COUPONS
Shoppers are redeemimg coupons as fast as manufacturers can issue them. **Page 38**

THE NEW H&BA SQUEEZE
Movement at both ends of the price spectrum spells difficulty for mid-priced products. **Page 50**

ALA ROUNDUP
A schedule of events at this month's annual convention. **Page 60**

FIRING LINE — KOLBET SCHRICHTE
ALA's new executive vice president talks about the business, the association. **Page 62**

About the cover . . .
Art by Garnett Sullivan

DEPARTMENTS

Editorial Comment 4
News 9
OPINION 17
Troop Maneuvers 13
Supplier Notes 25
Military Market INDEX 70
Calendar 71
[illegible] comix 71
Ad INDEX 72

Military Market is published 12 times a year by the Army Times Publishing Co., 475 School St. S.W., Washington, DC 20024. Single copies, $2.00, except January Buyers Guide and July Almanac and Directory issues, $5.00 each. Yearly subscriptions within the U.S., $20.00; to civilian addresses outside the U.S., $25.00. Second class postage paid at Hanover, N.H. Postmaster: Send form 3579 to Military Market, 475 School St. S.W. Washington, DC 20024.

The material in this publication is copyrighted and may not be reproduced in whole or part without written permission of the publisher.

For a complete list of Army Times Publishing Co. offices, see back page.

PRESIDENT
William F. Donnelly
EXECUTIVE VICE PRESIDENT
Henry L. Belber
VICE PRESIDENTS
Donald J. Garyantes, Production; Thomas B. Moore, Circulation; Robert E. Schweitz, Editorial; Joseph G. Varga, Advertising

EDITOR
Nancy Tucker
ASSOCIATE EDITORS
David B. Cooley, Guy Lamolinara, Susanne D. Williams
EDITORIAL ASSISTANT
Karla G. Williams
ATPUBCO NEWS SERVICE
Bruce Covill, Chief; Allen E. Carrier, Martha Craver, Tom Philpott, Paul Smith
ART DIRECTOR
Jack Auldridge
ART CONSULTANT
Garnett Sullivan
STAFF PHOTOGRAPHERS
Joe Matera, Kate Patterson
ADVERTISING MANAGER
Vincent Santoro
CIRCULATION
S.C. Parojinog
ADVERTISING PRODUCTION
Phyllis King
EXECUTIVE OFFICES
475 School St. S.W., Washington, DC 20024, (202) 554-7180

BPA

COPYRIGHT ARMY TIMES, PUBLISHING CO. 1982, ARMY TIMES PUBLISHING CO. — TRADE DIVISION, MILITARY MARKET (COMEX), (USPS 911-580)

Beverage Sales Perk Along

After a half decade of decline, coffee sales are stabilizing as decaffinated types make up for losses in ground roasts. Tea sales, too, trend toward decaffinated varieties.

By DAVID B. COOLEY
Associate Editor

THE PRICE OF COFFEE should remain stable for the foreseeable future, according to a major coffee roaster.

In the world's two largest coffee-producing countries, Brazil and Colombia, the time is now past for the killer frosts that devastated the crop in the 1976-77 growing season. Manufacturers are expecting slight ups and downs in wholesale prices, which are due not so much to the consumption of existing inventories as to the slow shiploading in Uganda and to a recent strike by workers in Colombia, according to the major coffee roaster's military sales manager.

The International Coffee Organization has held firm on the quantity of green coffee beans it is allowing its member nations to produce and ship. So this variable in the pricing picture has been made constant — for the time being. Slowdowns in other countries or adverse weather could, of course, reduce the availability of green coffee beans, resulting in price hikes.

Coffee Drinking Down

As is well known in the coffee industry, per capita consumption in the United States has been on a downswing for a number of years. In a recent interview with David Kuhnert of the National Coffee Association of the U.S.A., MILITARY MARKET learned that coffee drinking reached an all-time high in 1962 with a per capita daily consumption of 3.12 cups. By 1977 the association determined that figure to be down to a "disastrous" 1.94 cups per day. The 1976-77 freeze in Brazil drove the price of raw coffee up and soluble coffee became the best buy. But its price was high, too, so many coffee drinkers switched to tea and other drinks.

Following slight rises in per capita consumption from 1978 through 1980, when prices were moderating, the average number of cups per day per person in 1981 stood at 1.92. In 1982, to date, it has fallen to 1.90.

Coffee continues to be the most popular drink in the United States. Americans consume about two-thirds of the world's supply. In 1982 a devoted 56.3 percent of the adult population — something more than 100 million people — routinely quaffed this hot brew. This figure is down just slightly from 1981's 56.4 percent. The annual value of the market is gigantic — between $4.1 billion and $4.8 billion. As a result, the competition in the coffee market is fierce.

The leading contenders in this market today are **Procter & Gamble's** Folger Coffee Co. and **General Foods** with its well-established Maxwell House and Sanka brands.

Several years ago, P&G launched a major campaign to go national with its then regional Folger brand, displacing General Foods' Maxwell House as the No. 1 selling brand of coffee. General Foods countered with even larger advertising budgets and now maintains the lion's share of the total coffee market with 42 percent, compared with P&G's 21 percent.

The real losers in the market-share battle have been the smaller, regional roasters. From about 100 of them in the early 70s, there are now fewer than 40. Most of them enjoy — or survive on — tiny market shares.

Today's teenagers are not copying the pattern of coffee drinking established by their parents, say coffee marketers. Many young people are drinking decaffeinated coffee, weaker coffee, less coffee, and many are not drinking coffee at all. Substantial numbers of established coffee drinkers have followed suit. The decaffeinated portion of the market has increased in recent years, making this the category's only real growth segment.

While the total coffee market decreased about four percent in 1981, the sales of all decaffeinated coffee (ground, instant, freeze-dried) increased nearly eight percent. In the commissaries the picture was slightly different: The sale of regular coffee increased 8.7 percent in 1981, from $104.6 million to

(Continued On Page 20)

Hot Beverages

(Continued From Page 18)

$113.8 million, and sales of decaffeinated in the same period increased 7.6 percent, from $15.8 million to $17 million. One marketer said his company is now placing emphasis on the sale of ground decaffeinated.

Tea Sales Heat and Steep

Where coffee has taken its knocks, tea has, in large measure, taken over. This is especially true for specialty, flavored and decaffeinated teas.

One young company in particular has capitalized on consumers' caffeine awareness. **Celestial Seasonings** has brewed up a broad line of herbal teas. Larry Bosch, military sales manager at Celestial Seasonings told MILITARY MARKET that "1981 sales of herbal teas nationwide were about $86 million. In 1982 sales are expected to exceed $120 million." He said the West Coast, in particular, has become herbal-tea conscious.

Newcomer Celestial Seasonings has about 41 percent of the market, while the older, established **Thomas J. Lipton Co.** is a very strong second with 38 percent. The remaining 20 percent or so of the market is divided among a number of other firms.

Herbal teas sell much better from fall to spring. The standard variety teas sell well year-round, indicating that they are being used widely by both hot and iced tea drinkers. The use of herbal teas is more seasonal than that of the more standard variety.

The National Coffee Association of the U.S.A. told MILITARY MARKET that more Americans are drinking tea now than in years past. In 1962, 24.7 percent considered themselves tea drinkers. By 1981 that figure had risen to 32.6 percent. In 1982 it is predicted to fall to 31.6 percent, presumably losing a little ground to coffee. Overall tea sales increased 14.8 percent in 1981 to $581.5 million.

The reason so many people are switching to tea seems clear — the caffeine scare. Even the strongest blends of tea have only 50 percent of the caffeine that coffee contains. Brown teas have 30 percent as much, and green teas have only 20 percent. Moreover, many Americans tend to drink their tea weaker than they drink coffee.

Creamers, Cocoa Stir Up Sales

The Pream Co.'s military sales manager, Burt Bruffett, told MILITARY MARKET: "There is a very close correlation between the coffee market and the sales of nondairy creamers. As coffee consumption decreases, so do sales of creamers." Consequently, in civilian supermarkets the sales of nondairy creamers have decreased, but in the commissaries there has been a 10 percent jump in 1981, up half a million to $5.4 million, which corresponds closely to commissary coffee sales.

The chocolate and cocoa-mix market has had a surplus of cocoa for the last five years, resulting in five years of level prices. MILITARY MARKET learned from a large manufacturer that current cocoa crops don't look as good this year as in the recent past, so there may be price increases from these five-year lows as the demand for chocolate continues to enjoy a slow but steady increase. The cocoa mixes are primarily cocoa, powdered milk or powdered nondairy product and sugar, so prices are affected by shortages or surpluses in either cocoa or sugar production.

MM

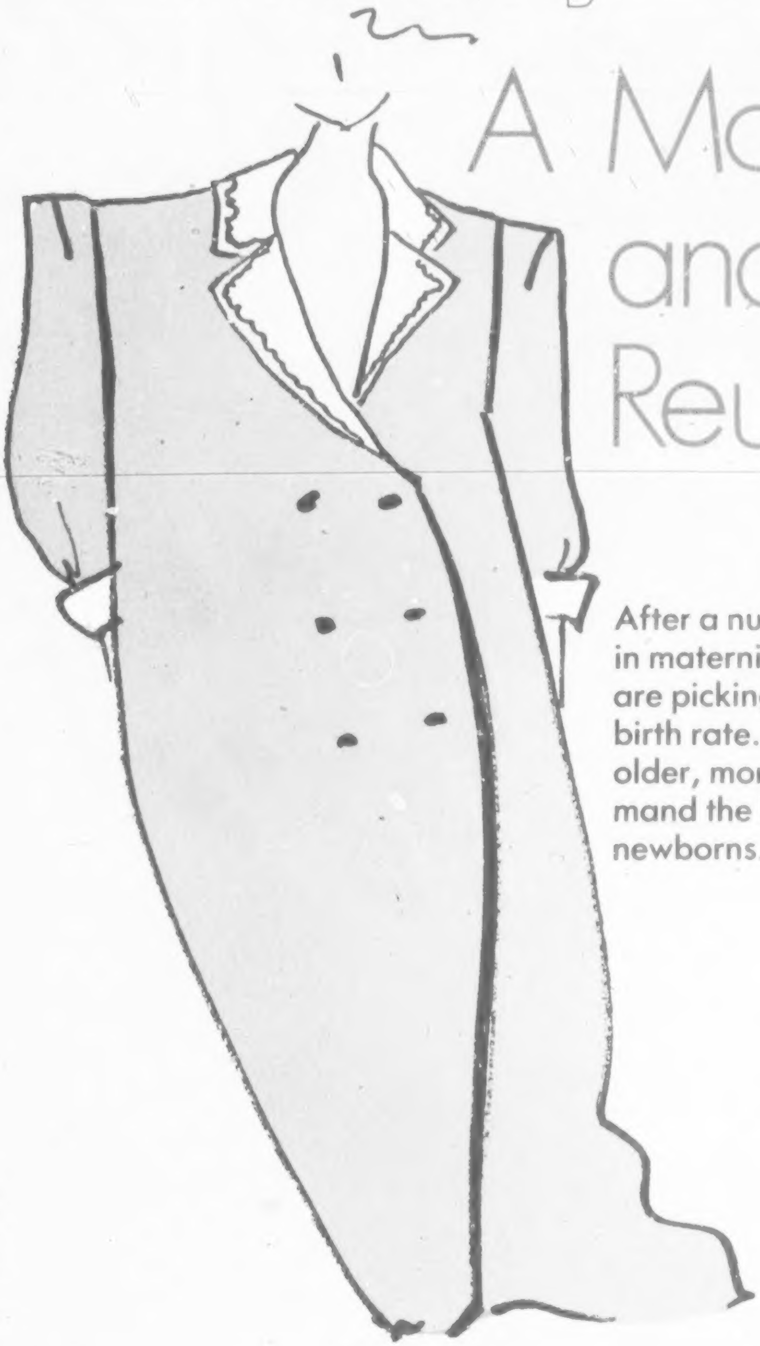
COMMISSARY SALES OF HOT BEVERAGES

	WORLDWIDE	DOMESTIC	OVERSEAS
GROUND COFFEE	**$75,300,000**	**$60,300,000**	**$15,000,000**
Regular	25,700,000	20,600,000	5,100,000
Drip	17,400,000	13,900,000	3,500,000
Electric percolator	17,800,000	14,200,000	3,600,000
All purpose	6,300,000	5,100,000	1,200,000
Fine	2,600,000	2,100,000	500,000
Decaffeinated ground	5,500,000	4,400,000	1,100,000
INSTANT	**$28,000,000**	**$22,500,000**	**$5,500,000**
Regular	20,800,000	16,600,000	4,200,000
Decaffeinated	7,200,000	5,900,000	1,300,000
FREEZE-DRIED	**$14,000,000**	**$11,200,000**	**$2,800,000**
Regular	9,700,000	7,800,000	1,900,000
Decaffeinated	4,300,000	3,400,000	900,000
SPECIALTY COFFEE	**$2,100,000**	**$1,600,000**	**$500,000**
CREAMERS, POWDERED	**$5,400,000**	**$4,200,000**	**$1,200,000**
COCOA & COCOA MIXES	**$5,200,000**	**$4,100,000**	**$1,100,000**
OVALTINE & POSTUM	**$800,000**	**$600,000**	**$200,000**
TEA	**$18,000,000**	**$14,700,000**	**$3,300,000**
Bags	10,600,000	8,600,000	2,000,000
Instant & liquid	6,700,000	5,500,000	1,200,000
Loose/bulk	700,000	600,000	100,000
TOTAL	**$148,800,000**	**$119,200,000**	**$29,600,000**

SOURCE: Army Times Research Department. Data is for CY 1981.

Maternity

A Mother and Child Reunion



Design by Amy Ruth

After a number of barren years, sales in maternity and baby departments are picking up, thanks to a rise in the birth rate. The most notable change: older, more affluent women who demand the best for themselves and their newborns.

By SUSANNE D. WILLIAMS
Associate Editor

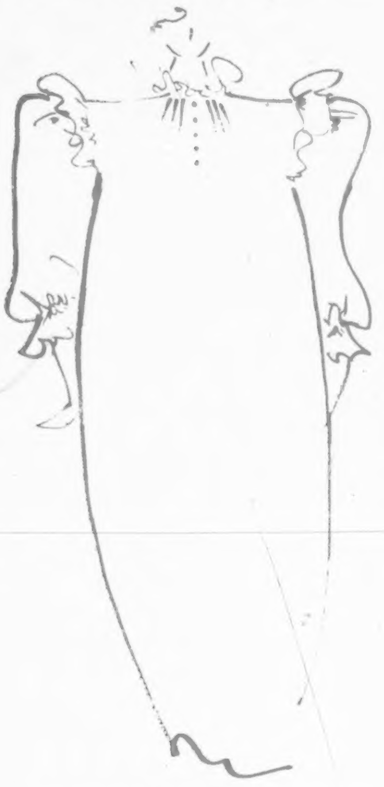
MOTHERHOOD IS IN FASHION again, promising growth to maternity departments and stores.

Birth rates over the past two years have climbed steadily, and so have sales figures for everything needed by babies and mothers-to-be. Retailing experts for maternity and baby merchandise talk of a baby boomlet and of a new thrust to a formerly sluggish category.

According to them, working women in their late twenties and early thirties are primarily responsible for the baby picture's pink. These women, initially concerned with jobs or careers, now feel their biological clocks are running out. As a result, they go through their first births at an age at which their own mothers already had school-age children.

In addition, many women in their early twenties are still deciding to have their first child as soon as possible or are becoming pregnant at an early age. Both groups have raised the demand for ma-

(Continued On Page 24)



NECK-AND-SHOULDER treatments, drawing attention away from stomach expansion, figure prominently in Amy Ruth's maternity dresses. In this sketch neck, shoulders and wrists are emphasized with soft ruffles.

(Continued From Page 22)

ternity clothing and baby products.

But their demands differ in relationship to their needs and economic power, retailing experts point out. Older and working women want sophisticated clothes for themselves and nothing but the best for the newborn. Younger, less well-to-do women tend to go through their pregnancy in casual clothes and restrict their baby product purchases to basic items.

This dichotomy poses problems for exchange officials, who operate within the confines of limited stock assortments and tight sales space. The resulting question of which merchandise to stock is often answered by sticking to basics. "We have quite a trim assortment, which does not allow for great fashion and price flexibility," Vivian West, AAFES' intimate apparel buyer, told MILITARY MARKET.

Harold Mandel, AAFES' supervisory merchandising specialist for women's clothes, sees limited potential for upscale merchandise. "The bulk of [maternity] clothing is in the lower-price categories."

The bulk of sales in Navy exchanges is in basics, too. But Marie Sansonia, NAVRESSO's maternity wear and lingerie buyer, sees an upscale trend. "First-time mothers are approximately five to 10 years older than they were 10 years ago and spend more money on their wardrobes," she said.

Regardless of how much a pregnant woman intends to spend, there are certain investments she has to make: clothes for herself and articles for her child.

After four to five months of pregnancy, when the body has grown too large to still comfortably fit into regular clothes, a woman needs a new wardrobe. She should wear loose-fitting clothes, a good bra and a sensible pair of shoes, Dr. William F. O'Brien of Bethesda Naval Hospital told MILITARY MARKET.

Pregnancy affects not only the size of the stomach, but also the size of the breasts, hips and legs, he said. As a result, women should invest in clothes that accommodate the growing body. "Some women have changes in bras up to three cup sizes, especially during first pregnancies. They also experience a change in their center of gravity, which requires footwear that is more stable," he said.

New Lingerie Needed

A pregnant woman's new bra and shoe purchases do not register as maternity-related sales, although, in effect, they are. More easily tracked are maternity lingerie and clothes, which are cut to fit the growing body.

In intimate apparel, AAFES offers one style of nursing bra, one slip style, two styles of panties and two styles of pantyhose. All lingerie is available in white only, and the pantyhose — one regular, one support style — are available only in basic colors. So far, there is no room for fashion colors, AAFES' West said. Some manufacturers, however, offer this type of hose in current fashion hues.

Fancee Free added black as a new color to its foundations after the company received many requests for it. But white and beige, the predominant colors for maternity underwear, "run fairly close" in popularity, a company spokeswoman told MILITARY MARKET. Most of the company's goods are made of man-made fibers or fabric blends, with polyester-cotton blends being a favorite material for sleepwear. But the spokeswoman added, "We have had a lot of requests for a cotton bra."

AAFES' nursing bra is made of cotton, as are many garments for pregnant women. "When you're thinking maternity, you're thinking natural fabrics," West said. There is a good medical reason for it: Pregnancy increases the blood flow to the skin, O'Brien said. As a result, some women often feel warm or experience increased skin sensitivity, problems which natural fibers help alleviate.

Some pregnant women also need girdles to ease back pains, although AAFES currently does not carry any maternity girdles. "Girdles are a very, very weak category," West said. AAFES sold only 24,000 last year worldwide, none of them for pregnant women. "Gals nowadays don't want that tighter control," West said.

Some control, however, is provided by support pantyhose. They "can be useful for back pain," O'Brien said, although "they can be very warm in summer." The major consideration is that the mother-to-be buy a product that does not cut off the blood flow, a consideration that pertains as much to intimate apparel as it does to maternity clothes in general.

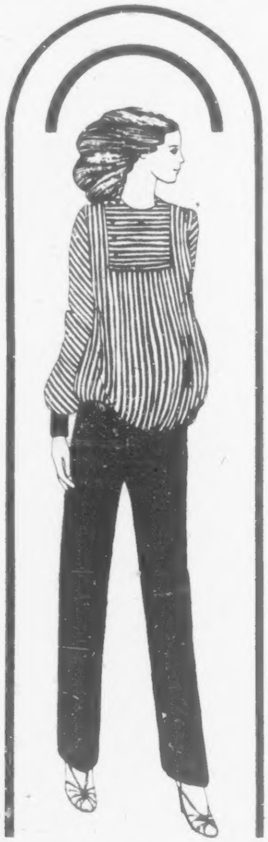
Bigger and Better

This fact is often not understood by mothers-to-be, especially women in their first pregnancies, a retailing expert for Lady Madonna, a maternity franchise operation, told MILITARY MARKET. These women often buy maternity jeans as their first piece of new clothing, but they buy them too small.

Since some women do not accept their growth or make allowances for it, they often "have to buy a second maternity wardrobe," said Kay Burgess, an independent sales agent for a number of maternity lines. For that reason alone, knowledgeable sales help is very important to help the pregnant customer make the right choice.

A poor self-image — some pregnant women feel downright ugly, O'Brien said — also affects the

(Continued On Page 26)



THE NAUTICAL LOOK inspired this combination by Over the Rainbow. The dress pants are shown in black with a matching blouson in satin stripes.

(Continued From Page 24)

first maternity wardrobe purchase. Seeing herself in what seems to resemble a tent can be a devastating experience for a pregnant woman. She may also suffer from acne, a common pregnancy problem, varicose veins or darkening of the skin, the so-called "pregnancy mask." In all cases, a pretty outfit is often the answer to the problem. "A woman may spend a little bit more money so that psychologically she feels good," a spokesman for **Peppertree,** a clothing manufacturer, told MILITARY MARKET.

Fortunately for today's pregnant woman, clothes with fullness are in fashion. "The regular market has float dresses," Burgess said, and float dresses and A-lines are today's predominant style for maternity clothes. Gone are the days of cutesy tops, baby colors, empire dresses and tie-backs that emphasized the size of a pregnant woman's breasts and stomach. Today's woman "would faint if she had to buy an empire dress," Burgess said.

The 1980s Style

The customer of the 1980s usually wants a wardrobe that has clothes like the ones she used to wear before she became pregnant, maternity fashion experts agree. If she likes to wear jeans or designer jeans, she also wants these items when she is pregnant. The same is true for business clothes. Today's pregnant woman "cannot afford to look frumpy," one industry source said.

The emphasis on the no-frumpy look has given rise to a host of new design companies that try to cater to the modern pregnant woman. **Amy Ruth,** for instance, caters to women with sufficient financial resources to afford $140 to $240 dresses, often in silk. **Over the Rainbow** specializes in clothes for working women, with clothes retailing between $60 and $90. **Susan Allen Designs** offers swimsuits and activewear in fashionable colors and styles, allowing pregnant women to exercise with fashion flair.

Pregnant working women have helped to stimulate this new industry as have laws that protect women from being fired because of their pregnancy, Kay Burgess told MILITARY MARKET. But she also sees an end to this industry's growth, which, she says, "has reached a peak. Some companies that got started recently are now biting the dust. The slice of the pie gets thinner."

Some maternity clothing companies also suffer from high production costs, since they have shorter runs and cannot always meet the minimum set by the makers of piece goods. This often translates into retail tickets that are too high for some pregnant women.

As a result, some women try to get by with a few tops and a couple of pairs of slacks. Peppertree, with price points between $13 and $15 for tops, caters to that type of woman. "A customer is in that stage [pregnancy] for a limited time and doesn't want to buy a tremendous amount of clothes, which she only needs for four or five months," the company spokesman said. AAFES' sales reflect that trend. "Pants and tops are far and away the best-selling items," Mandel told MILITARY MARKET.

On the other side of the spectrum is the woman who cannot afford to live only with pants and tops and thinks that clothes worn practically every day for at least four months need to be of excellent quality. For her, dresses are the answer. NAVRESSO has recognized maternity dresses as a growth category, with pants constituting "everyday volume," according to maternity wear buyer Marie Sansonia.

Dresses are also bought by women who used to wear business suits before their pregnancy. "Suits are very hard to fit for the maternity body," Burgess said. Jackets have to be long to accommodate the stomach's size, and thus make a suit look "matronly." An alternative: jumpers with short jackets.

Some pregnant women also need evening wear and outerwear, although neither are carried by ex-

LIVE BIRTH RATES IN THE MILITARY

	1979	1980	% change	1981	% change
Army	39,592	41,883	+5.8	41,812	-0.2
Air Force	29,007	30,611	+5.2	30,856	+0.8
Navy/MC	28,413	27,480	-3.4	27,977	+1.8
U.S. Total	3,494,000	3,598,000	+2.9	3,646,000	+1.3

SOURCES: Army, Air Force, Navy, Census Bureau changes. "We have no outerwear requests," Mandel said. NAVRESSO's Sansonia considers coats and formal wear "frilly" items that are nice to have for pregnant customers, but are not essential.

Since about 50 percent of military wives are currently employed, exchanges are called upon to fulfill the needs of two sets of customers. Yet unlike speciality shops, they can only go so far. "I am sorry I cannot offer everything a maternity store has," sighed AAFES' West. Her problem is shared by other military buyers catering to the maternity market.

For the Newborn

Anita Marx, AAFES' buyer for children's fashion clothes, regrets that "I can't buy it all — it's all so pretty." Her problem is undoubtedly familiar to customers, who have the choice between baby necessities and what the Lady Madonna spokeswoman called "grandmother items": cutesy, frilly products that are often given as gifts.

Today's parents seem to have room for both. "[They] can afford better products," Mel Asuncion, AAFES' buyer for juvenile furniture, said. As far as step-up models of baby items are concerned, "customers don't seem to mind that extra money." They spend it on car seats, for instance, which are now required in 13 states and are fast becoming a "nationwide thing."

Most customers seem to be in unison in their preference for one seemingly luxurious item: disposable diapers. These have captured and still maintain the largest segment of the baby H&BA category, NAVRESSO buyer Richard DeLuca noted. For AAFES, "disposables by far exceed cloth diapers in terms of sales," Lora Bracken, buyer for basic infant merchandise, told MILITARY MARKET. "By far" translates into an 80-to-20 ratio, she said, although nonworking mothers usually buy cloth diapers more than those who are employed.

In disposables, those with elasticized legs are gaining importance, according to Bracken, although the nation's No. 1 brand, **Procter & Gamble's** Pampers, has only recently added this version to its line. The company also holds the No. 2 spot with Luvs, a higher-priced brand that has always featured elasticized legs, a company spokesman told MILITARY MARKET.

P&G's military business is a healthy one, with the majority of diaper sales generated in commissaries, the spokesman said. He also showed little concern over disposables' generic competitors. "If price were the main reason [for disposable purchases], generic brands would be the leading ones."

Some companies, however, are more concerned with "what the military is doing with generics," a **Johnson & Johnson** spokesman said. Some exchanges take brand names off the shelves and replace them with generics, he told MILITARY MARKET. Still, some of J&J's baby products maintain top sales positions. "Our baby powder is the largest selling talcum powder in the world," the company spokesman noted. Its Johnson's Baby Wipes, which were introduced a year ago, are now the No. 1 baby wipe on the market, he said.

Many baby care products, however, have users other than babies. "Seventy percent to 80 percent of our baby toiletries are used by adults who use them for sensitive hair and skin," the Johnson & Johnson spokesman said. "It's an extended toiletry business rather than a baby business."

In a way, all baby products' business is an adults-only business in which the very adult consideration of disposable income calls the shots. Currently, many new mothers seem to have sufficient amounts of it: Maternity and baby product sales overall are rosy, happy and healthy.

MM

SALES TIPS FROM OUTSIDE THE GATE

SO FAR, EXCHANGES DO NOT HAVE mother-and-child boutiques in which all related merchandise is sold in one department, although some resale buyers would like to see such departments created. Mothers-to-be now have to shop from department to department, with little in-store guidance available.

Space and limited stock assortments are the major obstacles for exchanges wanting to increase their maternity-related sales, but some help — even allowing for limited assortments — is available.

- **FROM MANUFACTURERS:** National Baby Week at the end of April provides an opportunity to draw attention to all product categories related to mother and baby, from food processors, which can puree baby foods, to exercise bikes. Manufacturers offer a variety of in-store promotional materials in such areas as baby food and baby products.
- **FROM DIAPER SERVICES:** *Baby Talk* is a publication available free from local diaper services and is carried in some maternity shops.
- **FROM A PUBLISHER:** Another publication suitable for sale within the maternity sales area is *Pregnancy — How to Look Good and Feel Great* (Chartwell Books Inc., Secaucus, N.J., 1982), which provides a step-by-step introduction for pregnant women. Its many tips can have a positive effect on maternity and baby product sales.
- **FROM A PHYSICIAN:** Pregnancies provide an opportunity for add-on jewelry sales. According to Bethesda Naval Hospital's Dr. William F. O'Brien, many pregnant women cannot wear their old rings, including wedding bands, since their hands and fingers swell. A small tray in the maternity department with inexpensive wedding bands or some costume jewelry, replete with information on the swelling problem, might stimulate an extra purchase.
- **FROM MATERNITY STORES:** Some retailers offer a list of "musts" needed for the mother- and child-to-be and make it available to customers. Such a list, which resale buyers say does not yet exist on a systemwide basis, is designed to help inexperienced shoppers and encourage multiple sales.
- **FROM A FULL-LINE DEPARTMENT STORE CATALOG:** Retailing giant Sears has just published a special-purpose catalog geared specifically toward the newborn baby that includes every possibly needed product. So far, it does not include maternity wear other than nursing bras and the like, but possibly that is just another catalog away. — **S.D.W.**

COUPON CRAZY

Photos by Kate Patterson

There seems to be no end in sight to shoppers' hunger for the cents-off coupon Manufacturers also stand firmly behind the concept of coupon promotions, even though some industry experts say as much as 20 percent are fraudulently redeemed.

By GUY LAMOLINARA
Associate Editor

SHOPPERS have become coupon fanatics.

Seen increasingly as a hedge against budget-busting food prices, the valuable certificates are being redeemed in record numbers, and manufacturers are responding with coupon issues that are reaching new highs.

There seems to be no end in sight to the ever increasing value of coupons thrust into the marketplace. According to the U.S. Department of Agriculture's most recent figures, coupon values in 1979 topped the $900 million mark; 81.2 billion coupons were distributed that year. USDA figures do not include commissary/exchange-use only coupons.

"We haven't even seen the crest of this wave of coupons. I don't know where it's heading," Dick Amster, vice president of Marketing Showcase Inc., a promotional firm, tells MILITARY MARKET. Amster attributes 90 percent of the increase in coupon issues and redemptions to the weak economy.

Although most shoppers — about 80 percent, according to the Department of Agriculture — use coupons and view them favorably, coupons and controversy have been side by side almost since the first coupon was issued in 1895. **C.W. Post** offered a penny refund on a new product called Grape-Nuts.

Consumer groups for years have complained that shoppers would save more money if coupons were outlawed altogether. They say manufacturers could cut prices across the board with the money they would save by not issuing coupons. Promotion-conscious manufacturers have countered, saying the money spent on coupon-

TIO SANCHO
TACO CASSEROLE
SAVE
5¢
60¢ COUPONS
ADD GROUND BEEF

MANUFACTURERS frequently spur impulse buying by placing coupons at the point of purchase (ABOVE).
A SHOPPER at Andrews AFB, D.C., hands the cashier a small stack of coupons for redemption.

ing would not be used to cut prices; rather, it would simply be funneled into other forms of promotion.

Startling Statistics

Commissary shoppers have been in on a piece of the coupon action. 1981 redemptions in Air Force commissaries totaled $9.5 million; 1980's total reached $7.9 million, a 14.6 percent increase. Army shoppers in 1981 handed cashiers $5.37 million worth.

Navy shoppers in commissaries redeemed $2,739,627 in coupons in 1980 and $3,207,106 in 1981, a 17.1 percent increase. Marine Corps commissaries handled $609,263 worth in 1981; 1980 figures were not available.

Nationwide, about one in every 20 food coupons is redeemed, translating into a five percent redemption rate. In 1977, the USDA says about 1000 manufacturers issued coupons for such products as health and beauty aids, processed foods and coffee, which the USDA says accounts for 21.4 percent of the total value of all coupons redeemed for food items. Breakfast cereals, at 11.3 percent of the total, are a distant second.

In 1980 the USDA's Economic Research Service conducted a survey of redemptions in a large grocery store chain in the Baltimore-Washington area. The sample included representative stores with unusually high rates of coupon use.

Nonfood redemptions. These accounted for about 39 percent of the number of coupons redeemed. Among nonfood items, pet foods demand a disproportionate share of coupon redemptions. Although the category usually accounts for about two percent of total store sales, nearly eight percent of the number and 10 percent of the value redeemed were for pet foods.

(Continued On Page 40)

COUPONS

(Continued From Page 39)

Household supplies and general merchandise staked out an additional 30 percent.

Food redemptions. In the ERS survey, food products were even more lopsided in terms of coupon redemptions. Five food groups — coffee (mainly), tea and cocoa; soups; baby food; prepared meals; and breakfast cereals — accounted for $2 of every $3 of the value redeemed and for about 50 percent of the total cashed in.

Although the weakening economy has effected a rise in coupon issues, other factors have also contributed. Two of the most salient are generics and house brands. Coupons create brand loyalty and aid manufacturers trying to differentiate their products from competitors. Manufacturers, especially those trying to squeeze new products into increasingly crammed store shelves, have issued coupons in the hope of inducing sales trials.

Experts agree, however, that coupons will not revive a dying product. "What good is a coupon if they don't buy the product?" says John Patrick, MSM for **Frito-Lay**. "No amount of couponing will save some products."

Says the MSM for a major manufacturer of paper products: "We've had some products that were fizzling out and we tried to

(Continued On Page 42)

FRAUGHT WITH FRAUD: Dealing with Misredemptions

THE LEVEL of coupon fraud has reached epidemic proportions, and there is no end in sight to the malaise.

According to most estimates, including those of the U.S. Postal Service's Inspection Service, 20 percent of all coupons redeemed are done so fraudulently. The USPS becomes involved in controlling coupon ripoffs because when the mails are used to send coupons to the clearinghouses, a felony is committed.

Postal inspectors have been active — and cunning — in their approach to policing fraud. One of the most recent postal sting campaigns was in Detroit with a fictitious shampoo called Attract. The coupon ran in the *Detroit Free Press*, *Detroit News* and *Flint Journal*. About 6000 bogus coupons were returned for redemption from grocers in 18 states. Detroit was chosen for the sting because "there's a lot of coupon fraud activity" there, Walter Ladick, USPS program analyst, tells MILITARY MARKET.

The Attract investigation is still ongoing. Ladick notes that military commissaries and exchanges are not involved in the investigation, nor have they been involved in any past examinations.

Not only does coupon fraud hurt manufacturers, it hurts consumers too. Kenneth Baumbusch, president emeritus of the Promotional Marketing Association, says, "There are certain markets where fraud is five times as prevalent as it is in other markets. Detroit was one of them. If you had a limited budget as a manufacturer, you'd run the coupon in a city other than Detroit. You can't afford risk in such cities."

Attract was not the first of the USPS' sting operations. In December 1977 a coupon for a nonexistent product called Breen was run in the New York City area. A redemption center was created under the name CFCP (Coupon Fraud Control Program) Coupon Redemption Inc., in Clinton, Iowa. Clinton is also the location of A.C. Nielsen's clearinghouse. From 42 states, 2090 retailers attempted to redeem 74,894 coupons. The investigation resulted in, over a three-year period, 142 convictions.

The types of coupon connivers are as prevalent as the schemes to wipe them out. The USPS says the following are of primary concern:

- **Unethical retailers submitting coupons for products never purchased.**
- **Organized criminal groups will either cut or duplicate large numbers of coupons and submit them for redemption to clearinghouses using fictitious names. These groups also sell them to retailers and clearinghouses.**
- **Commercial coupon clearinghouses pad legitimate shipments from retailers or submit coupons under fictitious store names.**
- **Newspaper dealers, delivery personnel and newsprint salvage operations sell unused coupon inserts, at a reduced rate, for fraudulent redemption.**
- **Charitable groups sometimes collect coupons for a worthy cause and sell them for a percentage of their face value.**
- **Retail checkout personnel add coupons to those cashed in by shoppers, removing the extra amount from the register drawer.**

"It's [coupon fraud] too hard to detect," Baumbusch says. But manufacturers, promotion houses and others are not giving up. All coupon issues by Marketing Showcase Inc., such as the company's Sunday insert, Product Movers, are consecutively numbered. If too many consecutive numbers are redeemed by a single retailer, an investigation may be triggered.

"You can see gang-cut coupons with a naked eye," Baumbusch says of misredeemed coupons that are collected *en masse* and run through a cutting machine.

Another ploy is to photographically reproduce coupons. Mint condition coupons, especially when turned in to clearinghouses in mass quantities, are also suspect.

Marketing Showcase's distribution trucks are all bonded to protect the valuable Sunday newspaper inserts from theft. NAVRESSO warns store managers to treat coupons just like money: "Since these coupons represent cash, all security procedures for the handling of cash will be observed. Vendor coupons will be kept secured at all times and not left indiscriminately lying on desks, in file cabinets, etc."

The USDA takes a rather bleak view of coupon fraud: "The cost to conduct these investigations means that all Americans, whether coupon users or not, are subsidizing coupon fraud."

But one thing is certain: Coupons are here to stay. — G.L.

COUPONS

(Continued From Page 40)

revive them with coupons, but it was a disaster. The products died anyway."

Coupon clearinghouses, suppliers and manufacturers are always looking for those characteristics that will produce the highest redemptions rates for their coupons. The value of the coupon and the way in which it is distributed are the factors that most affect redemption rates, says the USDA. The three distribution routes are printed matter (magazines and newspapers), direct mail and in- or on-package. The majority of coupons are distributed through newspapers (61.8 percent). These coupons account for 44.2 percent of total redemptions. Newspaper coupons do not, however, have the highest rate of use. That distinction goes to the coupons that have the lowest distribution costs of any form of coupon: the in-pack (17.6 percent redeemed) and on-pack (12.8 percent) types. The reason for this, according to the USDA, is that purchasers are already likely to have purchased the product.

A variation of the in- and on-pack coupon is the cross-in- or cross-on-pack coupon, which is usually a coupon for another product from the same manufacturer.

Far behind in rate of use are those clipped from Sunday newspaper inserts (five percent). Other newspaper coupons have varying rates of use: run-of-paper (2.9 percent), co-op (3.3 percent), Sunday magazines (2.1 percent).

A more successful form of coupon issue in terms of getting customers to use them is the direct mail approach (10.5 percent). Marketing Showcase produces Showcase Direct, a four-color mailer that reaches what Amster calls "a cross-section of the high-user family." High-user families are determined by taking profiles of 50 product categories and comparing them with demographic statistics. Showcase Direct reaches 25 million of these high-user families, he says.

A variation on the coupon approach is the offer that requires a customer to provide a proof of purchase to the manufacturer in exchange for cash or a cents-off coupon on a future purchase. Travis Whitlow, promotional manager of A.C. Nielsen, tells MILITARY MARKET: "This type of promotion is growing by leaps and bounds. It gives manufacturers the opportunity to directly impact the cost of groceries. It also allows refunds on things where you can't use coupons. In many states it is illegal to coupon liquor."

The refund offer also is very effective to induce sales of high-ticket items. It is unsafe for manufacturers to offer large discounts on

(Continued On Page 44)

CONSUMER REDEMPTIONS OF MANUFACTURERS' COUPONS

Item	Percentage of total coupons redeemed	Percentage of total value of all coupons	Average face value per coupon (cents)
Beverages			
Soft drinks	1.7	1.8	24.4
Coffee, tea, cocoa	6.7	13.1	45.6
Milk, butter, cheese	2.9	2.0	16.3
Meat, fish, poultry, eggs			
Fresh	0.2	0.5	65.8
Processed	4.5	4.9	24.8
Cereal and bakery products			
Bread and rolls	3.5	2.6	17.2
Cookies, crackers, snacks	2.5	1.8	16.7
Breakfast cereal	9.9	6.9	15.9
Flour and flour mixes	3.3	5.0	36.2
Rice, pasta	1.4	0.9	14.8
Sugar and sweets			
Sugar, syrup, jelly, ice cream, candy, desserts	3.4	3.0	21.2
Soups, baby & prepared food	9.6	10.6	26.2
Nonfood			
Tobacco	0.8	2.3	62.1
Pet food	7.8	9.3	28.1
Household supplies	12.8	11.6	21.4
General supplies (chairs, dishes, motor oils, toiletries)	17.3	15.7	21.4
Total nonfood	**39.1**	**38.9**	**23.7**
Total	**100.0**	**100.0**	**23.5**

SOURCE: U.S. Department of Agriculture

COUPONS

(Continued From Page 42)

Rubbermaid
ROUGHNECK
you'll love the way it lasts, year after year
$2.00 REFUND
BUY TWO ROUGHNECK HOUSEHOLD PRO
GET $2.00 REFUND DIRECT FROM
Rubbermaid
ROUGHNECKS
you'll love the way it lasts, year after year
$2.00 REFUND
BUY ONE ROUGHNECK REFUSE CONTAINER
GET $2.00 REFUND DIRECT FROM
Rubbermaid

ACCORDING to an industry expert, such promotions as the proof-of-purchase cash refund are the fastest growing form of price reduction.

coupons turned in directly to retail operations because these are very susceptible to fraud.

Reaching Low Incomes

Interestingly, those shoppers who could most benefit from using coupons, the low-income shoppers, are not the most frequent coupon users. According to Amster, the all-American coupon family has four members and earns $18,000, $3000 more than the national average.

Reasons why low-income shoppers do not use more coupons are many. The bureau of Labor Statistics indicates that low-income groups have less access to the more than 90 percent of all coupons issued through newspapers and magazines.

Ethnic groups that traditionally have large numbers of low-income members have also been less frequent users of coupons. "This has been changing in the last 10 years," Kenneth Baumbusch, president emeritus of the Promotional Marketing Association of America, tells MILITARY MARKET. He says that 10 years ago, 45 percent of black and Hispanic families used coupons; today that rate is 65 percent.

Military Coupon Issues

Many manufacturers, in addition to issuing general-use coupons, participate in promotional programs strictly for the commissary/exchange shopper. And for good reason: "The military can't do any of its own advertising. Commissary officers, and our company, are trying to get more customers into the commissaries. This is an effective way to do that," says Frito-Lay's Patrick.

"It [the resale system] is a different marketplace, with different demographics and geography," a military salesman for a major pet foods manufacturer, tells MILITARY MARKET.

"Often a corporation's [civilian-oriented] marketing mix does not reach the military shopper with the same level of impressions," he says. The results of a military couponing campaign? Higher redemptions than for civilian stores, he says.

Patrick concurs: "In civilian stores, anything over 10 percent redemption rate is great. But in the military a 10 percent rate is low. In most areas it's over 10 percent."

Patrick believes the rates are so much higher for military-issue coupons because it is easier to direct advertising at a specific market by advertising in military publications.

During a promotion, Patrick says his company's sales can go up as much as 10 times the normal rate and sometimes a whopping 15 percent sales increase is registered.

Frito-Lay's coupons generally have an expiration date of one year from the date of issue. "This way we can see how well they did. If there's no expiration date, customers tend to file them away, and it becomes difficult to judge a coupon's effectiveness," he tells MILITARY MARKET.

The MSM for the paper products company tells MILITARY MARKET: "We have better redemption rates with the military-use coupons, simply because these shoppers are more brand-conscious. We're in a highly competitive category and we need to periodically issue coupons so that our customers don't desert us. Let's face it, there really isn't much difference between one brand of facial tissue and another."

A.C. Nielsen, which operates a clearinghouse in Clinton, Iowa, recommends that all coupons have an expiration date. "Otherwise manufacturers are liable to infinity," says Whitlow. "It's not economically justifiable for the manufacturer to have our computer counting only two or three coupons a month, [long after a coupon was issued]," he says.

Much of the couponing business is seasonal. Frito-Lay is participating in AFCOMS' Sixth Anniversary Sale. In August and September the company promotes the single-serving variety pack for back-to-schoolers. Ruffles, a popu-

(Continued On Page 46)

COUPONS

(Continued From Page 44)

lar party snack, will get a big push in December. Marketing Showcase's Amster says, generally, the heaviest time for coupon use is from October through April.

What Retailers Think

"They love them," Amster says. Some civilian retailers, however, don't love what they see as a stingy redemption fee. They believe that the current 7¢ per coupon is too low to adequately cover their costs. The resale systems don't seem to have this problem. In fact, their actual handling costs are exceeded by income paid by the manufacturer. In FY 1981 AFCOMS' actual handling costs were $508,871; their income from manufacturers was $2,648,802. TSA estimates its handling costs at 6¢ — 1¢ less than the manufacturers pay.

"Generally, the military retail managers favor coupons. They reduce prices to the customer, and that's their ultimate mission," Patrick says.

The Food Marketing Institute in 1979 estimated coupon handling costs in three sample stores. The costs ranged from a low of slightly more than 5¢ to a high of about 9¢ per coupon. In another survey by the Grocery Manufacturers of America, Giant Food in Washington, D.C., was estimated to have a handling cost of 11¢ per coupon.

About one-fourth of the cost is attributable to the extra time spent by the cashier in accepting the coupon — five seconds. Coupon processing at the store office accounted for another 45 percent. Ten percent of coupon costs were paid to the clearinghouses. Eight percent is eaten up by finance charges accumulated from the time the coupon is redeemed until the store receives compensation. Supplies and unacceptable coupons were responsible for three percent of the total, says the USDA.

In addition to handling costs, other costs figure into the couponing business. According to the USDA, production, distribution and handling costs amounted to 70 percent of the face value of coupons redeemed; handling costs accounted for nearly 40 percent of face value.

Another possible problem with coupons is that they can force retailers to handle items they normally would not stock, or they can cause stores to allocate extra shelf space for these products.

Army and Air Force commissaries report, however, they do not experience such problems. NAVRESSO's Director of Public Affairs John Russas says, "If stores feel they want to sell the product, they can. But we are willing to tell customers we do not want to stock the [couponed] item." Air Force officials tell MILITARY MARKET: "The only time you might see more of a product on the shelves is if there's a special price reduction in addition to the coupon." Says TSA: "No. [We are not influenced by coupon issues.]"

Coupon Controversy

It is these handling costs, coupled with the costs of the coupon refunds themselves, that have sparked anticoupon attitudes among consumer activists such as Esther Peterson, a former White House consumer adviser.

The Center for Science in the Public Interest, based in Washington, D.C., is a consumer group that conducted a test beginning in September 1981 on 14 items; results were published in March 1982. Six name brand items were cheaper when purchased with a coupon, resulting in a saving of 26¢. Eight house brands were purchased without the use of a coupon, and the total was still $1.41 cheaper than for name brand products purchased with coupons.

The Promotional Marketing Association's Baumbusch claims, however, that "if you took the complete cost of all coupons and applied it against their prices, you could lower product costs by an average of only 0.6 percent."

What about nonusers? There is no doubt that nonusers subsidize coupon users, says the USDA. Officials of the USDA's Economic

(Continued On Page 48)

TOSHIBA
STEREO
The pick of pockets.
Toshiba's new KT-VS1 stereo cassette player is truly a small wonder. Its stereo headphones collapse, its tuner pack plays AM/FM stereo and it has two stereo headphone jacks, auto stop and soft touch controls.
An even tinier advancement is the RP-S5, which plays FM stereo through collapsible headphones.
Which will you pick for your pocket? TOSHIBA
Toshiba America, Inc., 82 Totowa Road, Wayne, NJ 07470

COUPONS

(Continued From Page 46)

COUPONS DISTRIBUTED, 1965-1980

Year	Billion Coupons
1965	10.0
1966	12.8
1967	14.5
1968	16.5
1969	17.6
1970	16.4
1971	20.3
1972	23.4
1973	27.6
1974	29.8
1975	35.7
1976	45.8
1977	62.2
1978	72.7
1979	81.2
1980	90.0

SOURCE: U.S. Department of Agriculture

Research Service note: "Nonusers are in essence paying the costs of couponing without the offsetting compensation of the coupons' cash value."

In the ERS survey, it was held that the nonuser forfeits the average cash value of the coupon — 23.5¢. "But the nonuser has also saved the issuer the face value plus the average handling costs of 8.5¢ a coupon. Furthermore, by paying the full product price, the nonuser has provided the issuer additional revenue to use in compensating the user and paving production and distribution costs." The ERS adds, however, that the amount of nonuser subsidy "may be small or nonexistent" because coupons account for a minor portion of the overall food advertising and promotion dollar.

It is speculative at best to try to judge the net effect of the coupon system on consumers. Monetary values on such things as time in searching for and clipping coupons, the value to society of innovative food products that might not receive distribution without the use of coupons and other factors, are difficult, if not impossible, to affix. The ERS suggests that the availability of private label products gives consumers who do not wish to support the system some choice in the matter.

Another issue sparking controversy is small-manufacturers' claims that they are forced to offer coupons to compete with larger firms. This is especially true for small firms trying to introduce products that compete directly with well-established brand names. The advantage of coupons, however, is that they assure small manufacturers that their promotional activities, no matter how small or localized, will have an impact on shoppers' buying decisions. Some small manufacturers indicate they prefer coupon promotions to such forms of advertising as television, which is many times beyond the realm of their ad budgets.

Still, coupon competition is much less burdensome for the large food firms, who, according to USDA officials, are heavier coupon issuers than other firms: "Market concentration — share of sales by the four largest firms [in each product category] — is an indirect measure of the presence of large leading firms in an industry, and concentration is positively and significantly related to coupon intensity."

Consumer and health groups also complain that coupons are issued primarily for highly processed foods whose natural counterparts are more nutritious. Those items with the highest farm value — fresh meats, poultry, eggs, dairy products and fresh produce — are the items most infrequently couponed. Conversely, the items with the lowest domestic farm value — breakfast cereals, flour and flour mix products, soups and baby and prepared foods — are the most often couponed items.

The statistics prove, however, that the bargain-hungry shopper will continue to use coupons with relish. The USDA says food prices doubled between 1971 and 1979, and consumers view coupons as a way to fight back. Manufacturers believe the costs of couponing are offset by the increased sales. "Sales [of our snack foods] in the last two years have grown 16 percent to 19 percent a month, and couponing is one of the reasons," Patrick says.

MM

TAKE ONE
50¢ CASH REFUND
FOR TRYING

Snap in
Snap on
Promotion Pads
With Arrowhead
Fasteners

The easy, proven way to put up offer pads.
Write for samples of our full line of point-of-sale fasteners.
Request our free brochure.

Fasteners for Retail
12 Alpha Park
Cleveland, Ohio 44143

Gloves Off in Personal Care

Dollar-and-cents thinking has given rise to two new phenomena in exchange H&BA departments: No-brand items and loss leaders. Reaction to both is mixed at best.

By SUSANNE D. WILLIAMS
Associate Editor

IN THE MILITARY community, the quest for health and beauty still ranks high on the list of priorities, military resale figures indicate.

Health and beauty aid sales for 1981 totaled $327.8 million, according to the Army Times Research Department, up 11.2 percent over 1980 sales. These figures, although reflecting in part price hikes for certain H&BA products, also signify a slight percentage increase in the product category as a whole: In 1980 H&BA items accounted for 6.9 percent of all exchange sales worldwide; in 1981 the percentage climbed to 8.4.

Commissary H&BA sales have maintained a steady 2.8 percent share of total comstore sales, with dollar sales increasing by 8.4 percent from 1980 to $118.9 million in 1981.

COMMISSARY H&BA SALES

	WORLDWIDE	DOMESTIC	OVERSEAS
Oral hygiene	$21,000,000	$17,000,000	$4,000,000
Toothpaste/powder	14,900,000	12,000,000	2,900,000
Mouthwash	6,100,000	5,000,000	1,100,000
Hair care	19,600,000	16,000,000	3,600,000
Men's grooms/tonics	5,200,000	4,200,000	1,000,000
Women's hair spray/	—	—	—
moisturizers/ conditioners	14,400,000	11,800,000	2,600,000
Shampoo	13,200,000	10,700,000	2,500,000
Shaving needs	18,800,000	15,300,000	3,500,000
Shaving creams	5,600,000	4,600,000	1,00,000
After shave/prelotions	3,100,000	2,600,000	500,000
Razor blades	10,100,000	8,100,000	2,000,000
Cosmetics	19,400,000	15,800,000	3,600,000
Lotions/creams, hand, body and face	6,400,000	5,200,000	1,200,000
Deodorants	13,000,000	10,600,000	2,400,000
Remedies/analgesics	18,600,000	15,100,000	3,500,000
Vitamins	7,100,000	5,800,000	1,300,000
All other	1,200,000	1,00,000	200,000
TOTAL	$118,900,000	$96,700,000	$22,200,000

SOURCE: Army Times Research Department. Data for CY 1981.

Economic Considerations

Not all product categories have fared equally well, MILITARY MARKET learned in discussions concerning personal care products with buyers and vendors. Here and there, the ailing economy has left its imprint. In cosmetics and nail care, for instance, "the industry is kind of soft," one military buyer said, but AAFES managed to "hold its own" in this area.

On the other hand, ethnic H&BA items constitute "a very growing, a very exciting market," another AAFES buyer told MILITARY MARKET. Hair care products are also "on the upswing," and AAFES has done well with its AAFES Budget Specials, a line of 106 low-priced H&BA products featuring a brand name, an AAFES label or no brand label at all.

NAVRESSO has instituted its own similar program by selling a number of popular H&BA items under a Navy Exchange label.

Overall, the economy has had a seesaw effect on the personal care segment of the H&BA market, some industry experts think. "The economy today is very strong in certain aspects," Dick Metzler, MSM for **Revlon,** told MILITARY MARKET. "The carriage trade has never sold better, and low-end products are doing very well. It's the middle-priced line that has a great deal of difficulty, even in the military."

Imogene Huwyler, however, AAFES' buyer for cosmetics and nail care, sees a slightly different trend. In terms of percentages, sales for those subcategories AAFES offers to its customers — prestige, classic and mass — have "increased about the same," she said.

Part of the reason may lie in AAFES' approach to the beauty part of the health and beauty category. "Our stores are totally self-service," Huwyler said. As a result, "we don't have a broad asssortment of prestige [lines]." And offering fewer prestige lines means a limit in sales potential.

Customers to support sales of

(Continued On Page 52)

(Continued From Page 50)

skin
care
tion
baby
powd
baby
shampoo
green
outhwash
sandwich
clear plastic
trash bags

HOUSE BRANDS are finding their way into resale H&BA departments. Both NAVRESSO and AAFES offer their own lines of products that rival name-brand products in price and looks.

NEW SOLID
Solid Anti-Perspirant
Jean Naté
NET WT 2 OZ
Solid Antiperspirant
Jean Naté
NET WT. 2 OZ

STICKS/SOLIDS are the fastest growing category in the deodorant/antiperspirant market; they are also the Number 1 seller in AAFES exchanges. In June, Jean Naté added a new solid antiperspirant to its 25 SKU line.

more expensive merchandise are certainly not in short supply, predominantly two-income households and retirees relieved of the financial burden of child-rearing, an industry expert said.

Elizabeth Arden, for instance, finds that its product lines in AAFES exchanges "have done strikingly well." Although the economy has hurt sales in a few areas, women will continue to buy skin treatment products, including those with high pricepoints. "Women are more conscientious about taking care of their skin," Joan Jealous, MSM for Elizabeth Arden, told MILITARY MARKET. She sees working women and their product needs as a particularly "strong growth area."

A **Chanel** spokesperson also acknowledges the dampening effect of the economy on sales, but added that "body care becomes more and more important," nevertheless. Chanel's exchange business, however, is very limited: Major sales originate from the company's fragrance sales, with body lotions and bath oils basically "complementing the fragrance purchase."

Women with less disposable income are not neglecting their skin, either. "Cosmetics are really doing well," the MSM for **Noxell**, maker of Noxema cleansing cream and the Cover Girl cosmetics line, told MILITARY MARKET. "As dollars and cents have become more important, budget [products] are doing bettter. Our business is up 23 percent in dollar sales."

Preselling Via Ads

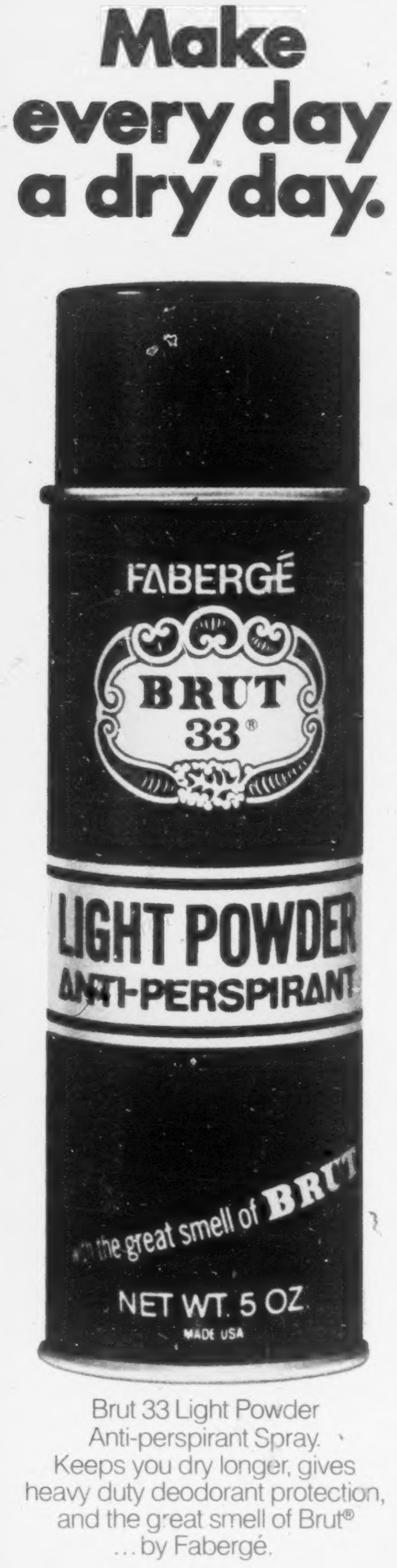
Regardless of whether sales are climbing or sluggish, manufacturers of personal care products have to stay on their toes to keep their sales on an even keel. While some industries reduce advertising and new product introductions during economically unfavorable times, those firms in the personal care business cannot afford to do so. Noxell, for instance, plows 26 percent of its sales into advertising, the company's MSM said.

The cosmetics business in particular is a unique area, a business for "dyed-in-the-wool professionals," the MSM for **Menley & James** said. The company recently sold its personal care lines, Sea & Ski and Love cosmetics, to concentrate more heavily on health products. Cosmetics require a lot of money, the MSM told MILITARY MARKET; they thrive on new product introductions and need depth of personnel to properly distribute the product.

For exchanges, with their limited saleshelp, the presell approach, via advertising and new product introductions, is especially important, the Chanel spokesperson noted. And in spite of general economic woes, 1981 saw no reduction in ad spending by H&BA product manufacturers.

According to *Media Marketing Manual*, total 1981 ad spending for cosmetics and toiletries was nine percent higher than the preceding year's, with outdoor advertising garnering the highest percent increase. The greatest amount of advertising dollars is spent on hair treatment products, followed by creams and lotions, shampoos and rinses and toilet soaps, the manual noted. It also credited growth in these categories to the introduction of several new products as well as the growing popularity of

(Continued On Page 56)



Brut 33 Light Powder Anti-perspirant Spray. Keeps you dry longer, gives heavy duty deodorant protection, and the great smell of Brut® ...by Fabergé.

(Continued From Page 52)

liquid soap.

In the personal care area, specifically in the cosmetics field, new product introductions have a role all their own. "The consumer wants to buy youth," Revlon's Metzler told MILITARY MARKET.

"But you cannot buy youth in a jar: Age is age. Therein lies the problem — or challenge — for manufacturers. Customers are always looking for new products; they are never satisfied and always have an open ear for a new promise."

Newer and Better

Revlon has offered a new "promise" with its introduction of the European Collagen Complex line, which has a "very, very high repeat purchase rate." Although collagen "has been around for a very long time, we had to do something to make it truly beneficial," Metzler said. And since the company "brought the benefits of collagen down to a reasonable price, customers are buying with gusto."

Noxell has just introduced 15 items. "That's a lot of new items," the company MSM admitted. Among them are make-up accessories, such as powder puffs, applicators and brushes — "implements that gals use."

Elizabeth Arden has developed a four-product line of Moisture Ac-

ETHNIC H&BA:

THE NEEDS of military customers are strikingly different in the ethnic area of H&BA, where differences in skin shade and hair texture require a host of products for care and maintenance.

But product variety in the ethnic market is a relatively new phenomenon. "Ten to 15 years ago, a lot of products were not available to black people," Spurgel Hicks of **Axtonx Sales Co.**, a distributor for a number of products geared to the black consumer market, told MILITARY MARKET.

Today, there are a number of established black-product companies, such as **Johnson Products**, **Pro-Line Corp.**, **M&M Products** and **Fashion Fair**, with sales in the multimillion dollar range. Even industry giants **Revlon** and **Monarch Crown** now offer product lines especially geared toward black users. And new companies are springing up as well. "Things change very rapidly," Hicks said.

Industry experts say the black market has characteristics all its own. "Blacks are brand people, especially in hair care," one source told MILITARY MARKET. "If you are considered second class, you want first class [products]."

"Research has found blacks respond with greater enthusiasm to promotions and new product introductions," another source indicated. "But black women do not use cosmetics as consistently as their Caucasian counterparts. I don't think they need them. They have color, they don't need it. Blacks spend far more money on hair care."

Black hair care has gone through a number of stages, explained Neal A. Harris Jr., MSM for Johnson Products. Thermal heat was used most often to straighten curly hair until the early 1950s, when the use of sodium hydroxide relaxers introduced "a whole new focus to black hair."

Then three to four years ago, calcium hydroxide products came on the market and had "high consumer appeal." These products irritate hair less than other products and "are just beginning to show their strength," Harris added.

Today's hottest items are curl products, which straighten hair while giving soft curls. "They took a considerable piece of the market and have also brought out a totally new market," he concluded.

There is also a good market for conditioners because many hair care products contain strong chemicals, AAFES buyer Dorothy Macon said.

The market for black-oriented H&BA items is not homogeneous, Harris said; middle-class blacks, for instance, prefer some of the older brands, while young blacks of both sexes like curl items.

Some blacks also like to use products that were available in their home towns, Hicks added.

tion for Dry Skin, a skin plan designed to help dry skin become more normal. The line includes a wash, rinse, moisture lotion and nighttime recovery cream.

Chanel just introduced Visage Chanel/Les Fantastiques, its makeup collection for spring 1983, plus travel-size versions of its popular moisturizers, and new "portable" packaging for its firming freshener and refining toner.

Johnson & Johnson has introduced Act, a fluoride rinse that is designed to reduce cavities in children. Its unusual package — the container's cap doubles as a serving cup — prevents children from using too much of the product, Richard Scott, the company's MSM told MILITARY MARKET.

Gillette has added Aapri, an apricot cleansing-grain product, to the existing line of skin cleansers, and **Monarch Crown/Bristol Myers** has extended its Sea Breeze line to include a cleansing scrub. **Armour-Dial** has capitalized on the growth of liquid soaps with Liqua 4, a liquid soap packaged in a container shaped like a bar of soap, which can be placed in a soap dish.

The list of new product introductions does not stop at this point, and line extensions or new makeup palettes are the continuing order of the day. But although the

(Continued On Page 56)

BENIGN NEGLECT?

When sent to different areas of the world, they still like to use — and buy — the products they have become accustomed to. Finding those products can often be difficult. Retailers have traditionally thought "one line will do it [for the black customers]." Harris said. "But they want choice."

If black customers do not find such a choice on base, they rarely address the person in charge. "Black customers are not vocal customers," Harris said. Instead, they will seek their choice in civilian stores off base.

Such a solution does not present itself overseas, where civilian retailing outlets do not carry products for black customers, he added. As a result, the black person has a "serious problem. He keeps in touch with hairstyles and expects a broad range of products." With none available on the local economy, however, exchanges and commissaries become his "sole source of product" — and therein lies a responsibility for military retailers.

Exchanges have met this responsibility better than commissaries, Harris noted. The latter "have failed to provide an opportunity [to shop for black H&BA products at the lower commissary prices]."

Yet "supermarkets are the best business [location] for toiletry items," Hicks noted. According to *Media Marketing Manual*, shampoos, fixatives and conditioners derive between 40 percent and 50 percent of their sales from these outlets.

Commissaries have not provided an adequate assortment, primarily because of "a lack of knowledge and experience," Hicks said. But change is afoot.

Hicks recently entered into an agreement with six of the commissaries in AFCOMS' South Texas Complex, under which a range of about 25 different hair care items will be offered to black customers for an initial trial of 30 days. These products, from a variety of manufacturers, are not the same as those already listed on supply bulletins, Hicks said.

So far, the stores have purchased approximately $30,000 worth of products, which they display off-shelf. Although sales "have not been near to our expectations," complex Director Clarence R. Maness said, the test program idea "was intriguing."

Part of the slow sales picture in the test might be the fact that only hair care products are being tested and their pricepoints do not compare favorably with exchange prices. "It takes time to work out the logistics," Hicks said.

At MILITARY MARKET press time it was too early to predict the outcome of the test. "We really believe there is a future in this. [By offering more products for blacks] the community is serviced," Maness said. — S.D.W.

Carry a big stick of protection.

FABERGÉ
BRUT 33
ANTI-PERSPIRANT
STICK DEODORANT

Brut 33
Anti-Perspirant Stick Deodorant.
Effective glide-on protection
you can carry—plus
the great smell of Brut®
By Fabergé.

(Continued From Page 55)

business lives off and from rejuvenation, "you just don't bring out a new product for the heck of it," the MSM for **S.C. Johnson** told MILITARY MARKET. To which Revlon's Metzler adds," You can sell any treatment once. But the key is repeat sales."

eye designs
MAX FACTOR

COLOR COSMETICS are a product category that manufacturers feel needs demonstration and fashion advice. In Max Factor's new Eye Designs powder shadows, the packaging itself gives customers an instant picture of correct eye shadow combination and application.

Budget Specials

The newest line, replete with line extensions, is AAFES' Budget Special program of H&BA products. The idea "goes back a long way," Roy Nielsen, supervisory merchandising specialist for AAFES' Stationery/Toiletries Section, told MILITARY MARKET. It started with a vitamin line in the 1970s, Nielsen recalled, and gradually evolved into other things. "As sales built, we looked at expanding."

The ABS program approximates similar phenomena in the civilian retailing world and includes such high sales volume items as toothpaste, mouthwash, shampoos, shaving cream and other hygiene essentials. In terms of containers and graphics, the featured items bear an uncanny resemblance to their famous brand-name cousins, but there's one big difference: price.

AAFES, which sells its ABS products with markups from five percent to 25 percent, periodically surveys the civilian market and its comparable house-brand or no-brand items for price. "We have to show savings to customers over the civilian trade," Nielsen said. ABS items are usually sold side-by-side related brand-name products, but in most cases the branded product outsells the ABS item, Nielsen told MILITARY MARKET.

"Anything taken internally is not as popular [in the ABS line as products for use on the body or skin surface]. People tend to pay more for a name they trust." But popularity is rather strong in some items. "We sell a tremendous amount of dandruff-control shampoo and toothpaste."

A quick glance at sales sheets pegs sales of AAFES' family size toothpaste at 108,000 units last year; **Procter & Gamble**'s Crest, on the other hand, sold 534,000 units during the same time, Nielsen said. P&G's Prell 7-ounce size sold to the tune of 131,000; the comparable AAFES me-too product clocked in at 115,000 units.

Such comparisons can be misleading, however. Most manufacturers offer a given product in different sizes and types; in its ABS line, AAFES basically sticks with just one product in the most popular type and size. As a rule, brand names still dominate the market with their total product range, and to extrapolate how an AAFES' product fares by comparison "just depends [on how it is compared]."

Yet the popularity of ABS products is evident from AAFES' overall H&BA sales. Their 1981 share climbed to 5.8 percent of the category's total sales of $232.6 million, up from 4.2 percent of 1980's sales of $213.2 million, Nielsen said. "The jump is a little deceiving, though.

"In 1979 and 1980 we added a few items, which hadn't reached their potential in 1980. It takes a while to build up a no-name product, about four to six months. Sales of brand-name items benefit from ad support. If they get a lot of money, it might go a little quicker," Nielsen said.

Even when adjusted for new product additions, the ABS sales figures indicate that customers respond favorably to the lower-priced products. The same, however, cannot be said for manufacturers of brand-name products.

"They are kind of worried that we're trying to knock them off," Dorothy Macon, AAFES' buyer for budget toiletries, told MILITARY MARKET. "They don't particularly like it."

Some industry experts are not so kind. "AAFES is party to playing a hoax," said one source, who chose to remain anonymous. "They fool customers and take advantage of them. They sell them products in disguise, in a mask, so to speak. No retailer can find a short-run type of manufacturer that can duplicate a product's formula or quality control. AAFES also pays more for copies of containers [used by brand-name manufacturers]. Far more money goes into the look of the product and less money into ingredients."

AAFES does not agree. "We shoot for high quality," Macon said. "We have been very careful to get good items, good quality and quality control." All ABS

(Continued On Page 58)

HAIR CARE items show continued growth, spurring the introduction of new products and line extensions. Gillette has added Silkience Conditioning Hair Spray to its Silkience line of hair care products "in response to the renewed vitality in the hair spray market over the last five years."

H&BA

(Continued From Page 56)

items are currently being tested; this is done periodically throughout the year.

AAFES' Nielsen also takes issue with the statement on ABS production expenses. "The big factor [in name-brand product costs] is not the container. It's advertising and product development." These expenses jack up their price, whereas no-name products, not encumbered from such overhead, can be sold cheaper.

All sources criticizing AAFES' ABS program, however, give the system credit for trying. "They try to help the low-income customer; that's a very admirable goal of theirs," one source said. "They really believe they're doing the right thing," another told MILITARY MARKET. But — "the jury is still out on it. Somebody who spends $50 in a beauty salon will not buy some 39¢ shampoo. You can't change the buying habits of your customers. This could backfire very seriously."

The "right thing" for AAFES is offering customers "service and choice," Nielsen said. Counters one of the critics: "That's not entirely true. That's just the company line."

The verbal battle — and eventually the brand-vs.-no-brand battle for shelf space and market share — is not going to disappear soon. On the contrary. "The United States — that's competition," Nielsen said.

Loss Leaders Gain

More competition can also be expected from AAFES' program of offering H&BA items as loss-leaders to its customers. Under the program, brand-name products are sold at below-market prices, at times even below cost. The idea is to establish exchanges as retail outlets with cut-rate prices that encourage customers to come into the store. The practice is common in civilian stores, but AAFES adopted it just last fall.

To date, 117 products make up the loss-leader list, although AAFES prefers not to use the term, choosing instead more elaborate descriptions, such as "key items to draw customers to the store." Sixteen items were added to the original list of 101 last April, and "probably all [loss leaders] had accelerated sales," one industry source told MILITARY MARKET.

BERGE
HAMPOO
WITH
ALOE
VERA
BERGE
CONDITIONER
WITH
ALOE
VERA

ALOE VERA and jojoba are buzz words in today's hair care market. Faberge's Organics collection, which is the third best-selling shampoo in AAFES exchanges, has extended its line with an Aloe Vera shampoo and conditioner.

But industry reaction is far from enthusiastic. For one, AAFES established the list without consulting the vendors of those items on it, one military MSM complained. "AAFES told everybody at the last minute," he said. "Prices had to be revised because some manufacturers were just about to raise prices on their products."

Another industry source feels that AAFES pools vendors' VPRs for all H&BA items, whether the VPR item is on the loss-leader list or not. "It's not exactly ethical," he said. "[The program] is a bust." He also thinks AAFES does not offer its loss leaders in the same ratio as warranted by the product category's market share. In one category having more than $300 million in annual sales, AAFES has just two loss-leader items; in a $150 million category it offers three, he said.

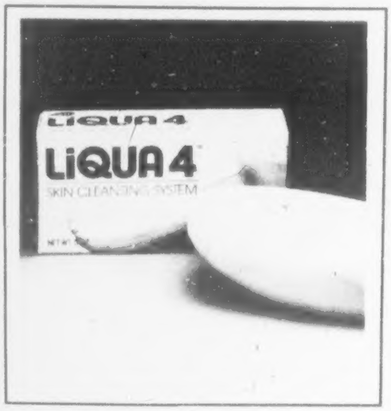
Facings present a problem as well. Many loss leaders have only one facing, one critic pointed out. Although they sell fast, the resulting gap is not always filled with the same product, but with products that are not part of the loss-leader list.

Such things might have happened in the early stages of the program, Nielsen conceded, "when we didn't know what the impact [of the program] would be. Some stores might not have anticipated the volume.

Occasionally, vendors also expect special treatment for VPR'd products, asking for off-shelf positioning. Although "there is no hard-and-fast rule [on off-shelf displays], not all products can get it," Nielsen explained. Nor are all products featured that vendors offer for promotion.

By offering the ABS and loss-leader programs and thus emulating civilian market practices, AAFES has opened a Pandora's box, but there is little that vendors seem to be able to do to change the current situation. "I can't stop offering them VPRs," one source said. "I can't tell them at which price to sell. But there will be no additional VPRs or deeper cuts [because of the programs]."

Such criticism is nothing new. Vendors to the military traditionally complain about slow product introductions, especially in commissaries; about lack of promotional support; about limited assortments, and about price structures.



ARMOUR-DIAL's Liqua 4 has added a uniquely shaped product to the increasingly popular liquid soap category. The product looks like a bar of soap, yet contains a liquid product with four special ingredients for skin cleansing and moisturizing.

They also sell H&BA — and other — products to the military, a market environment that does not know unemployment and offers a steady flow of customers. "There are less restraints and more affluence in the civilian retail market," one MSM told MILITARY MARKET. "But there are also more outlets [in which to sell a company's products]. In the military, you don't see these highs and lows. It's a more stable form of business."

MM

Military Market INDEX

COMMISSARIES

		JULY			YEAR-TO-DATE		
		CY'82	CY'81	%CHANGE	CY'82	CY'81	%CHANGE
AIR FORCE	CONUS	$147,823	$136,966	+7.93	$962,390	$900,938	+6.82
	OVERSEAS	30,726	26,499	+15.95	192,693	183,227	+5.17
	TOTAL	178,549	163,465	+9.23	1,155,083	1,084,165	+6.54
ARMY	CONUS	106,184	100,984	+5.15	698,464	665,392	+4.97
	OVERSEAS	31,304	28,496	+9.85	210,184	197,912	+6.20
	TOTAL	137,488	129,480	+6.18	908,648	863,304	+5.25
NAVY	CONUS	54,412	51,524	+5.61	358,109	337,382	+6.14
	OVERSEAS	6,419	6,239	+2.89	42,057	40,810	+3.06
	TOTAL	60,831	57,763	+5.31	400,166	378,192	+5.81
MARINES	CONUS	11,654	10,843	+7.48	76,613	72,689	+5.40
	OVERSEAS	188	168	+11.90	1,241	1,152	+7.73
	TOTAL	11,842	11,011	+7.55	77,854	73,841	+5.43
COAST GUARD	CONUS	339	508	—*	2,007	3,480	—*
	OVERSEAS	143	201	-28.86	1,243	1,323	-6.05
	TOTAL	482	709	—*	3,250	4,803	—*
ALL COMMISSARIES	CONUS	320,412	300,825	+6.51	2,097,583	1,979,881	+5.94
	OVERSEAS	68,780	61,603	+11.65	447,418	424,424	+5.42
	TOTAL	$389,192	$362,428	+7.38	$2,545,001	$2,404,305	+5.85
GROCERY STORES	U.S.	$20.642 bil	$19.364 bil.	+6.60	$132.408 bil	$125.064 bil	+5.87

EXCHANGES

		JULY			YEAR-TO-DATE		
		CY'82	CY'81	%CHANGE	CY'82	CY'81	%CHANGE
AAFES	CONUS	$225,197	$196,657	+14.51	$1,498,905	$1,368,316	+9.54
	OVERSEAS	146,051	132,154	+10.52	1,020,054	947,285	+7.68
	TOTAL	371,248	328,811	+12.91	2,518,959	2,315,601	+8.78
NAVY	CONUS	79,079	79,934	-1.07	569,720	567,018	+0.48
	OVERSEAS	32,686	30,273	+7.97	234,904	211,067	+11.29
	TOTAL	111,765	110,207	+1.41	804,624	778,085	+3.41
MARINES	CONUS	28,268	26,154	+8.08	190,332	174,376	+9.15
	OVERSEAS	4,587	3,750	+22.32	32,166	26,877	+19.68
	TOTAL	32,855	29,904	+9.87	222,498	201,253	+10.56
COAST GUARD	CONUS	5,840	6,018	-2.96	40,999	40,662	+0.83
	OVERSEAS	651	671	-2.98	4,571	4,536	+0.77
	TOTAL	6,491	6,689	-2.96	45,570	45,198	+0.82
MAIL ORDER	CONUS	891	622	+43.25	7,181	5,236	+37.15
	OVERSEAS	3,797	3,142	+20.85	27,086	21,271	+27.34
	TOTAL	4,688	3,764	+24.55	34,267	26,507	+29.28
ALL EXCHANGES	CONUS	339,275	309,385	+9.66	2,307,137	2,155,608	+7.03
	OVERSEAS	187,772	169,990	+10.46	1,318,781	1,211,036	+8.90
	TOTAL	$527,047	$479,375	+9.94	$3,625,918	$3,366,644	+7.70
DEPARTMENT STORES	U.S.	$8.356 bil.	$7.786 bil	+7.32	$54.271 bil	$51.649 bil	+5.08

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

*Not comparable because of Sept. 1, 1981, conversion of commissary at Petaluma to NAF status.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

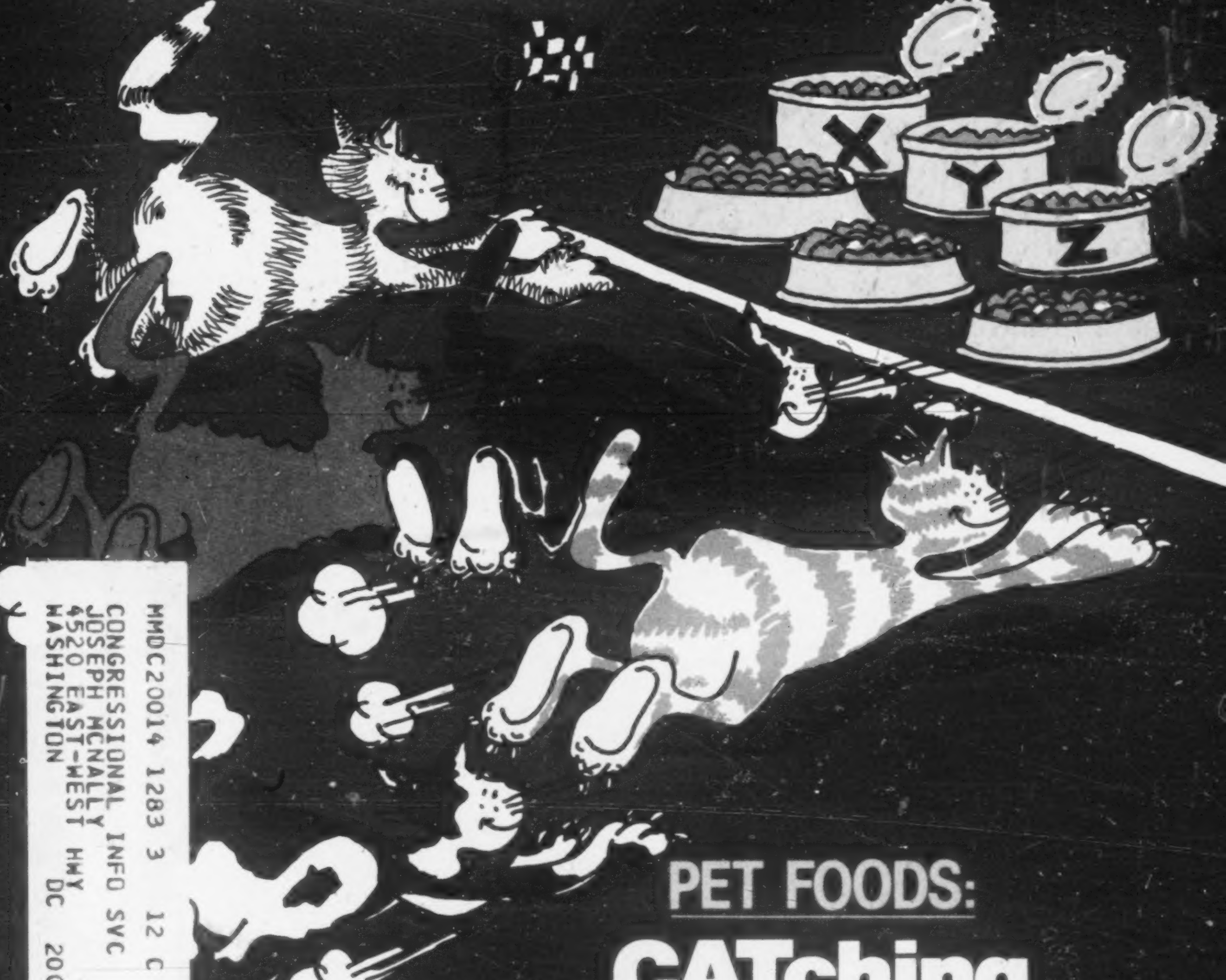
Cover 1, p.2, 18, 20-21,

29-30, 38.

Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM · ARMY TIMES PUBLISHING COMPANY · DECEMBER 1982 $2.00

1 C0500-1 12/8/82



MMDC20014 1283 3 12 C 01 $$
CONGRESSIONAL INFO SVC
JOSEPH MCNALLY
4520 EAST-WEST HWY
WASHINGTON DC 20014

PET FOODS:

CATching the Competition

Military Market
MAGAZINE FOR THE MILITARY RETAIL SYSTEM
ARMY TIMES PUBLISHING COMPANY
DECEMBER 1982
VOLUME 33, NO. 12

CONTENTS

FEATURES

Page 18

Page 22

PHONE SURVEY: FASHION
What store managers think about their softlines selection.
Page 12

BITS & PIECES —
Commissary holiday merchandising tips.
Page 14

COVER STORY: PET FOOD AND SUPPLIES
Cats are CATching up to the popularity of dogs as housepets, and manufacturers of cat food and supplies are purrfectly happy at rising sales figures.
Page 18

SPRING FASHION: SAFE, SOUND STYLING
Colors and stripes highlight the season's showings.
Page 22

SYSTEM OF THE MONTH: NAVY COMMISSARIES
Another look at the first resale scanning installation.
Page 25

HOUSEHOLD PRODUCTS — SOAP OPERA
Manufacturers battle for the suds in a relatively stable market.
Page 29

1982 ALA CONVENTION REPORT
A wrapup of the 35th annual meeting.
Page 32

Page 32

Page 25

About the cover . . .
Art by Garnett Sullivan

DEPARTMENTS

Editorial Comment 4
News 9
OPINION 16
Troop Maneuvers 13
Supplier Notes 13
Military Market INDEX 38
Calendar 39
[illegible] comix 39
Ad INDEX 40

Military Market is published 12 times a year by the Army Times Publishing Co., 475 School St. S.W., Washington, DC 20024. Single copies, $2.00, except January Buyers Guide and July Almanac and Directory issues, $5.00 each. Yearly subscriptions within the U.S., $20.00; to civilian addresses outside the U.S., $25.00. Second class postage paid at Hanover, N.H. Postmaster: Send form 3579 to Military Market, 475 School St. S.W., Washington, DC 20024.

The material in this publication is copyrighted and may not be reproduced in whole or part without written permission of the publisher.

For a complete list of Army Times Publishing Co. offices, see back page.

PRESIDENT
William F. Donnelly
EXECUTIVE VICE PRESIDENT
Henry L. Belber
VICE PRESIDENTS
Donald J. Garyantes, Production; Thomas B. Moore, Circulation; Robert E. Schweitz, Editorial; Joseph G. Varga, Advertising

EDITOR
Nancy Tucker
ASSOCIATE EDITORS
David B. Cooley, Guy Lamolinara; Susanne D. Williams
EDITORIAL ASSISTANT
Karla G. Williams
ATPUBCO NEWS SERVICE
Bruce Covill, Chief; Allen E. Carrier, Martha Craver, Tom Philpott, Paul Smith
ART DIRECTOR
Jack Auldridge
ART CONSULTANT
Garnett Sullivan
STAFF PHOTOGRAPHERS
Joe Matera, Kate Patterson
ADVERTISING MANAGER
Vincent Santoro
CIRCULATION
S.C. Parojinog
ADVERTISING PRODUCTION
Phyllis King
EXECUTIVE OFFICES
475 School St. S.W., Washington, DC 20024, (202) 554-7180

BPA

COPYRIGHT ARMY TIMES, PUBLISHING CO. 1982, ARMY TIMES PUBLISHING CO. — TRADE DIVISION, MILITARY MARKET (COMEX). (USPS 911-580)

HIGH PROTEIN PLUS
thrive
BONZ
CHUCK WAGON
Hero
Puppy Chow
Hero
Cat Chow
PURINA DOG CHOW

CATching the Competition

The cat craze has made cat food manufacturers smile. Although dogs still outnumber cats by a wide margin, the household cat population is increasing at a much faster rate than dog ownership.

By GUY LAMOLINARA
Associate Editor

PET FOODS aren't going to the dogs, they're going to the cats.

Increases in the percentages of U.S. households owning cats in 1981 are purrfectly amazing — up 27 percent since 1972. Figures for their canine counterparts increased a mere 7.9 percent for the same period, according to the Pet Food Institute.

Cat food manufacturers are grinning like Cheshires at the trend's results. "Cat foods are growing faster than dog foods, furthering a trend of an urban society," Elmer Richars, a spokesman for **Ralston Purina**, the No. 1 cat and dog food producer, tells MILITARY MARKET. "Even those in an apartment can keep a cat."

People are also keeping more pets of all types. A spokeswoman for the Pet Information Bureau, citing a 1980 survey by the research firm of Frost & Sullivan, says, "A major factor in the increase in pets has been the energy crisis. It is keeping people closer to home, which encourages pets for hobbies and entertainment. Older people are buying pets for companionship and protection. People are also keeping more exotic pets. Tarantulas are 'hot.' "

Two major trends are directly affecting cat ownership. The spokeswoman says the increase in the number of working wives, who do not have the time required to care for a dog and the trend toward smaller accommodations both make it easier to own a smaller pet, such as a cat.

But felines still have a long leap to go before they reach prefurred status: 41 percent of U.S. households own dogs, while only 26.5 percent keep cats. In the civilian marketplace, 1981 cat food sales jumped 14 percent; commissaries did not do nearly so well, registering only an eight percent increase.

Why the big difference?

Military sales managers are quick to complain about the job the commissaries are doing in pet foods. "Commissaries are always traditionally slower to pick up new items," grouses the MSM for a major pet foods manufacturer. "You can tell a civilian store you're introducing a new product, going to spend $15 million to $20 million on advertising and they react. Commissaries aren't product-oriented. Sometimes I wonder if they're consumer-oriented," he complained to MILITARY MARKET.

Says Larry Hable, national account sales manager for **A.H. Robins**, makers of the Sergeant's line

(Continued On Page 20)

PET FOODS

(Continued From Page 18)

HARTZ MOUNTAIN'S reflecting collar is one of the company's brightest success stories. The manufacturer says the collar reflects oncoming headlights up to 450 feet.

of pet care products: "To date, the commissaries haven't given the pet supply business what they ought to. In civilian stores, you'll see anywhere from four feet to 28 feet [devoted to pet care products]. It's rare to see anything beyond pet foods in commissaries."

Another MSM for a major dog food maker is not so general in his condemnation. "Air Force knows what they're doing. They're a delight to work with. The resistance to stocking new products in Navy commissaries has been a disaster. It's the way they operate. They've gone to their own warehouses. They have the space in the stores to carry the products, but not in the warehouses, which are too small. They can't meet the needs of consumers. This isn't true for all Navy complexes, but Norfolk and San Diego have been a total disaster.

"With Army and Air Force, we ship direct to the commissaries. In one Navy complex, we introduced a one-shot product with a coupon promotion, and they [complex management] were concerned they might have to add it into the system," he tells MILITARY MARKET.

Dry Trend

"We began in the dry business and have stayed prominent in it. Purina dog and cat chows are the largest selling dry pet foods and the largest selling of all pet foods," Richars says. "Dry is showing the most increases. It's convenient to use, but principally the increase is due to economics. This trend has been building for the last several years and shows no signs of dropping."

The MSM for the major dog food manufacturer concurs: "Dry is cheaper to serve, it's easier to buy in larger quantities, and it's easier to store."

R.E. Henderson, coordinator of military sales for **Quaker Oats,** manufacturer of Ken-L Ration and Puss 'n Boots, says, "Dry is the largest dog food segment. Mostly because of lower price, but it may also be because of a dog's dietary needs. Some all-meat dog foods are too rich for some dogs," he tells MILITARY MARKET. Ken-L Ration's varieties cover the gamut: It is available dry, semimoist, canned and as Kibbles 'n Bits, a dry and semimoist food, the company's newest pet food.

Giant Ralston Purina obviously thinks, and its success is showing it to be correct, that the market for dry cat foods is yet to be conquered. Thrive dry cat food is "very popular," Richars says.

Statistics show that a cat owner is not as price-conscious when it comes to pampering his pet's palate. Canned cat food domestic sales outstrip dry by almost three to one, according to the Army Times Research Department. One industry expert thinks this is because cats' putative finickiness has rubbed off on their owners.

Just as humans, in bad economic times, are prone to splurges, pet owners are wont to splurge once in a while. Ralston's Richars says the market for treats is "definitely increasing," and his company introduced Bonz to meet the demand.

A.H. Robins, whose pet business is virtually tied up entirely in accessories, is doing a booming business in dog and cat remedies, Hable says. "We have about 263 SKUs in such products as sprays, powders, shampoos and dips and small-pet foods. There's a tremendous consumer interest in remedies. Flea and tick collars are especially popular. As a result of the EPA's bans on various insecticides, there is an increase in the flea population. The problem is more acute.

DORIS LEWE, retail branch manager at Fort Sam Houston, Texas, has been involved with a test Pet Room Center project since February 1982. "So far, it's gone over really well," she tells MILITARY MARKET.

The pet products department stocks a complete line, including aquariums from five to 100 gallons, cat and dog houses, dog shirts and coats, heavy-duty travel homes and cat trees.

"All the things for cats are doing really well. I can't believe how many people really have cats. I used to think there are more dogs, but it looks like it's the other way around. It's easier to have a cat when you're moving. And this is especially important to people in the military when they're moving. The heavy-duty travelers sell super well," Lewe says.

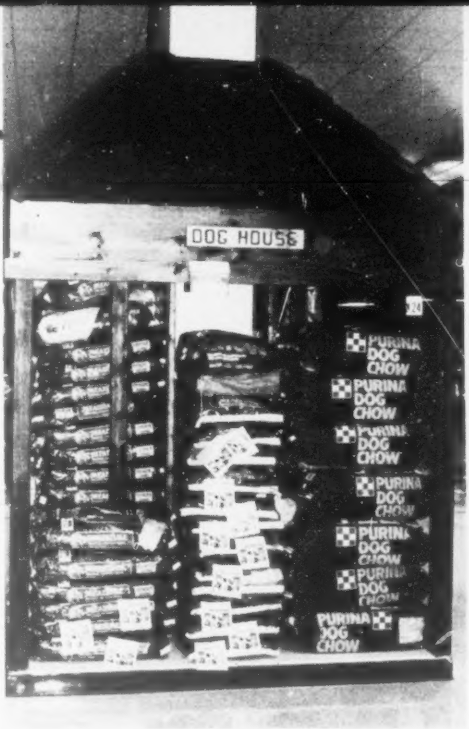
Fortunately for Lewe, she had no problems finding space for the department. "We have a very large store here. It's like an old hangar."

The department also offers bird and other small-pet accessories. "I was reluctant to stock expensive bird cages, but the more expensive the cages were, the better they sold. It's nothing to sell a $55 bird cage."

Toys are also an important part of department sales. "Some people will bring in their pets and let them pick out a toy."

The department at one time sold pet food, but no more. "We couldn't compete with the commissary's price. It just didn't sell well."

Although there are no definite plans to install similar departments in other AAFES exchanges, the department may yet make an appearance at other locations. Lewe says she has just turned in a report on the department, which may result in a new litter of pet departments. — G.L.



THE DOG HOUSE AT Fort Belvoir, Va., stocks 50-pound bags and solves the problem of stocking mass quantities of large sizes.

"People are not just using flea collars. They're buying multiple items. They'll wash the animal in flea shampoo, dust it with powder and use a collar. Indoor foggers [to kill fleas] are a big item."

A spokesman for **Hartz Mountain** says the company has enjoyed a big success with the reflecting flea and tick collar. He adds, however, that "business is tough. There's no real growth."

At this time of year, when Santa comes to visit the children, pet toy manufacturers also make sure he leaves something behind for Morris or Rover. "The consumer approaches his pet almost like a child. Around Christmastime, pet toy sales really pick up. People will put pet toys under the tree, and we sell a stocking for dogs and cats," Hable says.

Price/Promotion Sensitive

It seems consumers are split when it comes to brand loyalty to pet foods. Quaker's Henderson says the market is very susceptible to VPRs and couponing. "Customers will react to price; however, we also have the opposite happening. When someone is transferred overseas, we'll get letters asking, 'Where can I buy Ken-L Ration?' "

"Pet foods are very susceptible to promotion. Like anything else, there is a certain percentage who are brand loyal and those who are not," an industry expert tells MILITARY MARKET.

Generic and private label manufacturers are encouraged by their sales. According to SAMI, generic and private label dry dog food together have a 5.2 percent share of the market dollar. John Pierce, associate editor of *Private Label* magazine tells MILITARY MARKET: "Pet foods are one of the most common categories of generics and private labels. It is especially strong in dry dog food. In some stores, generic dry dog food outsells all other brands."

Generic cat food sales are not as strong. "People do not insist on gourmet food for their dogs, but they are fussier when it comes to cats. There's much less sold in generic cat food than dog food," Pierce says.

One of the most common complaints among store managers is the proliferation of pet foods, the number of which seems to increase almost daily. There are indications, however, that promotions may begin to shift back to the established brands, which are still the category's leaders.

The MSM for a major dog food manufacturer says, "With the lack of success in introducing new products — when I say success, I mean in terms of gaining market shares — you may see a decrease in terms of product introductions. There's been an awful lot of me-too brands that aren't much different from products already there."

Ralston Purina has two approaches when it comes to new pet foods. "Sometimes you'll feel so strongly about a new product that you'll just put it on the market [without test marketing it]. Sometimes just the opposite," Richars says.

Overall, pet food and accessories manufacturers are optimistic about the future of the industry: "People are always willing to skimp on themselves before they'll skimp on their pets," the industry expert says.

MM

COMMISSARY PET FOOD SALES

	WORLDWIDE	DOMESTIC	OVERSEAS
Dog food, canned	$26,978,000	$21,583,000	$5,395,000
Dog food, dry	27,552,000	21,583,000	5,395,000
Dog food, semimoist	12,169,000	9,630,000	2,539,000
Cat food, canned	27,208,000	22,139,000	5,069,000
Cat food, dry	9,988,000	7,964,000	2,024,000
Cat food, semimoist	3,214,000	2,871,000	343,000
Cat/dog candy & specialties	5,396,000	4,260,000	1,136,000
Bird food	1,722,000	1,389,000	333,000
All other	573,000	440,000	133,000
Total	**$114,800,000**	**$92,600,000**	**$22,200,000**

SOURCE: Army Times Research Department. Data for CY 1981.

Household Supplies

Commissary customers go for a fresh start amid a tide of new and reformulated detergents.

By DAVID B. COOLEY
Associate Editor

THE MILITARY SALES manager of a large soap and detergent manufacturer tells MILITARY MARKET that commissary shoppers tend to have more brand loyalties than their civilian counterparts. But he adds that in today's competitive market those loyalties are being challenged, and so market shares remain more or less static in the commissaries.

Detergents and soap are the fourth-largest selling category in the typical food store, according to *Progressive Grocer*, and the total market for household products is gigantic — more than $6 billion in 1981 — as reported in *Chain Store Age/Supermarkets*. Today, every manufacturer is trying to carve a larger share from a market whose real growth is only two percent to three percent annually.

Detergents — New and Improved

To gain position in the commissaries as well as in the civilian market, the manufacturers of household products continue to introduce products and improve older ones.

Purex International is introducing Purex Heavy Duty Laundry Detergent Plus. The "plus" is a fabric softener intended to make the job of doing laundry a little more convenient. "This new product is available in an 84-ounce size at about the same price as the competition's 64-ounce size," reports Purex's military sales manager, Clarence Carr. He says Purex is testing the product on the West Coast with the expectation of going national with it in the near future.

Carr informs MILITARY MARKET: "Purex is actively seeking business with the commissaries and has been running a fall and spring sale for the last four years. Each of these sales is a trade-off — reduced prices for Purex products in exchange for a floor display in the store. We are also having two or three 'truckload sales' per year in which reduced prices are offered for quantity buying." Carr says, "We go to the military customers and ask them what they need. The key to the Purex marketing plan for the military is flexibility."

Procter & Gamble, the hands-down leader in the household products industry, is constantly testing new products, such as heavy-duty detergents and detergents with additives. *Soap/Cosmetics/Chemical Specialties* magazine reports that the No.1 selling detergent, Tide, underwent yet another reformulation earlier this year.

Pat Manzione, military sales manager at **Colgate-Palmolive Co.** tells MILITARY MARKET: "Our heavy duty detergent, Fresh Start, is doing well in the marketplace. It combines heavy-duty cleaners and a pleasant fragrance with a unique package that enables the customer to see, carry, use and store the product easily, and it has a cap that can be used for measuring. With the see-through bottle, the customer can easily determine when to buy more," he said. Fresh Start is now the best-selling heavy-duty detergent, reports *Chain Store Age/Supermarkets*.

Advertising Leads the Way

For many years, P&G, Colgate-Palmolive, **Unilever U.S. (Lever Bros.)** and others in the household products industry have subjected the American public to an advertising blitz. P&G is the leader in advertising spending (not just in household products, but among *all* advertisers in the United States). As reported in *Advertising Age*, P&G put $671.8 million into its promotion campaigns in 1981. Colgate pumped $260 million into its campaigns, and Unilever U.S. spent $188.9 million to promote its products.

Part of this effort is TV advertising, part is print media and part is in free samples, cents-off coupons, price-off-on-package and other incentives. One marketer's MSM tells MILITARY MARKET that all these methods of promotion will continue, especially the couponing. His company feels the use of coupons as a discount method provides it with repetitive exposure to the shopper.

MILITARY MARKET learned from several market leaders that today's customers are demanding more convenience and value than ever. That means they want products with extra cleaning power — especially detergents with added softeners and whiteners.

MM

(Continued On Page 30)

(Continued From Page 29)

"SKILCRAFT: SALES EQUAL EMPLOYMENT"

BROOMS, MOPS, SPONGES and scrubbers bearing the **Skilcraft** label are made by blind people. These products are manufactured under the auspices of the National Industries for the Blind, which assists its member manufacturers in finding and hiring capable blind workers. It has done this for 28 years.

NIB's marketing analyst, Mike Ahrendt, tells MILITARY MARKET that "Helping visually handicapped individuals to be gainfully employed is the purpose of the NIB. Our industries make quality merchandise at competitive prices, which provides this employment."

Dan Boucher, vice president for commissary sales at NIB, tells MILITARY MARKET there are 33 locations nationwide where Skilcraft products are manufactured. For merchandise to qualify as blind-made, the manufacturing facility must have at least 75 percent blind labor.

To be included in the Skilcraft line, a product must be approved by a 15-person, presidentially appointed committee, and then must undergo extensive quality control testing. The committee has three basic criteria for selecting a product for inclusion in the line: The new item must be marketable, profitable and adaptable to production by blind labor, according to Boucher. He says, "The NIB is a nonprofit organization, but its manufacturing companies need profits for reinvestment and expansion."

The Wagner-O'Day Act of 1951 requires resale agencies of the Federal Government to purchase products made by handicapped people when such products are comparable to those available from other sources. The commissaries are not obliged to carry solely the Skilcraft brand, but TSA, AFCOMS, NAVRESSO and the Marine Corps and Coast Guard commissaries are each required to carry a substantial Skilcraft inventory.

MILITARY MARKET learned that the NIB has designed home care center display racks that provide 12 to 16 feet of display space in the commissaries for Skilcraft products. The Home Care Centers allow for more merchandise to be displayed with greater sales appeal than was possible in the past. As a result, in part, of better displays, sales have increased from $5 million in 1978 to $12 million in 1981.

Some of the products available to commissary shoppers are also in civilian supermarkets, but usually with different brand names. The NIB is considering the possibility of advertising in various military publications, thus improving the recognizability of the Skilcraft name to the commissary shopper.

Usually available at the in-store display are brochures that tell the NIB and Skilcraft story. The story's bottom line is emphasized by Ahrendt when he says, "Buying Skilcraft means jobs."

— D.B.C.

Bold 3
Oxydol
HEAVY DUTY DETERGENT
COLD POWER
IVORY SNOW
NEW FAMILY SIZE
Purex
trend

COMMISSARY SOAP AND DETERGENT SALES

	WORLDWIDE	DOMESTIC	OVERSEAS
Toilet soaps, bar			
Face size	$8,309,000	$6,648,000	$1,661,000
Bath size	16,348,000	13,078,000	3,270,000
Total	**$24,657,000**	**$19,726,000**	**$4,931,000**
Detergents, heavy duty			
Tablets	$993,000	$738,000	$255,000
Powder, controlled suds	18,245,000	14,596,000	3,649,000
Powder, high suds	37,199,000	29,760,000	7,439,000
Liquid	14,554,000	11,699,000	2,855,000
Total	**$70,991,000**	**$56,793,000**	**$14,198,000**
Detergents, light duty	$23,573,000	$18,859,000	$4,714,000
Soap powders, flakes, washing suds	$2,032,000	$1,626,000	$406,000
Laundry soap, bar	$542,000	$434,000	$108,000
Hand cleansers	$405,000	$324,000	$81,000
Automatic dishwasher items			
Detergents	$10,962,000	$8,770,000	$2,192,000
Rinses	1,218,000	974,000	244,000
Total	**$12,180,000**	**$9,744,000**	**$2,436,000**
Other special purpose soaps & detergents	$1,099,000	$877,000	$222,000
GRAND TOTAL	**$135,479,000**	**$108,383,000**	**$27,096,000**

SOURCE: Army Times Research Department. Data for CY 1981.

Military Market INDEX

COMMISSARIES

		AUGUST			YEAR-TO-DATE		
		CY'82	CY'81	%CHANGE	CY'82	CY'81	%CHANGE
AIR FORCE	CONUS	$134,585	$127,383	+5.65	$1,096,975	$1,028,321	+6.68
	OVERSEAS	26,801	26,007	+3.05	219,494	209,235	+4.90
	TOTAL	161,386	153,390	+5.21	1,316,469	1,237,556	+6.38
ARMY	CONUS	96,928	94,536	+2.53	795,392	759,928	+4.67
	OVERSEAS	28,808	27,352	+5.32	238,992	225,264	+6.09
	TOTAL	125,736	121,888	+3.16	1,034,384	985,192	+4.99
NAVY	CONUS	49,450	48,372	+2.23	407,559	385,753	+5.65
	OVERSEAS	5,761	5,846	-1.45	47,818	46,656	+2.49
	TOTAL	55,211	54,218	+1.83	455,377	432,409	+5.31
MARINES	CONUS	9,227	9,587	-3.76	85,840	82,276	+4.33
	OVERSEAS	120	161	-25.47	1,361	1,314	+3.58
	TOTAL	9,347	9,748	-4.11	87,201	83,590	4.32
COAST GUARD	CONUS	301	426	—*	2,308	3,906	—*
	OVERSEAS	190	284	-33.10	1,433	1,607	-10.83
	TOTAL	491	710	—*	3,741	5,513	—*
ALL COMMISSARIES	CONUS	290,491	280,304	+3.63	2,388,074	2,260,184	+5.66
	OVERSEAS	61,680	59,650	+3.40	509,098	484,076	+5.17
	TOTAL	$352,171	$339,954	+3.59	$2,897,172	$2,744,260	+5.57
GROCERY STORES	U.S.	$19.099 bil.	$18.651	+2.40	$151.601 bil.	$143.715 bil.	+5.49

EXCHANGES

		AUGUST			YEAR-TO-DATE		
		CY'82	CY'81	%CHANGE	CY'82	CY'81	%CHANGE
AAFES	CONUS	$231,161	$207,863	+11.21	$1,730,066	$1,576,179	+9.76
	OVERSEAS	148,540	131,716	+12.77	1,168,595	1,079,001	+8.30
	TOTAL	379,701	339,579	+11.82	2,898,661	2,655,180	+9.17
NAVY	CONUS	91,595	92,119	-0.57	661,315	659,138	+0.33
	OVERSEAS	34,698	32,445	+6.94	269,602	243,512	+10.71
	TOTAL	126,293	124,564	+1.39	930,917	902,650	+3.13
MARINES	CONUS	29,123	27,048	+7.67	219,455	201,424	+8.95
	OVERSEAS	4,738	3,986	+18.87	36,903	30,863	+19.57
	TOTAL	33,861	31,034	+9.11	256,358	232,287	+10.36
COAST GUARD	CONUS	6,157	6,361	-3.21	47,157	47,023	+0.28
	OVERSEAS	686	709	-3.24	5,257	5,245	+0.23
	TOTAL	6,843	7,070	-3.21	52,414	52,268	+0.28
MAIL ORDER	CONUS	1,033	583	+77.19	8,214	5,820	+41.13
	OVERSEAS	3,929	2,663	+47.54	31,015	23,934	+29.59
	TOTAL	4,962	3,246	+52.87	39,229	29,754	+31.84
ALL EXCHANGES	CONUS	359,069	333,974	+7.51	2,666,207	2,489,584	+7.09
	OVERSEAS	192,591	171,519	+12.29	1,511,372	1,382,555	+9.32
	TOTAL	$551,660	$505,493	+9.13	$4,177,579	$3,872,139	+7.89
DEPARTMENT STORES	U.S.	$8.69	$8.492	+2.33	$62.959	$60.141	+4.69

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

*Not comparable because of Sept. 1, 1981, conversion of commissary at Petaluma to NAF status.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

MAGAZINE FOR THE MILITARY RETAIL SYSTEM ARMY TIMES PUBLISHING COMPANY JANUARY 1983 $5.00

Military Market

-1 C0500-1 1/11/83 -

SYSTEM REPORTS

MI[illegible]EP DIRECTORY

S

EXCHANGE SUPPLIERS

COMMISSARY SUPPLIERS

UPCOMING ATTRACTIONS

MMMD20814 1283 3 01 C 01 33
CONGRESSIONAL INFO SVC
JOSEPH MCNALLY
4520 E-W HWY/#800
BETHESDA MD 20814

1983 BUYERS GUIDE

BEST AVAILABLE COPY

Military Market
MAGAZINE FOR THE MILITARY RETAIL SYSTEM
JANUARY 1983
ARMY TIMES PUBLISHING COMPANY
VOLUME 34, NO.1

CONTENTS

FEATURES

TELEPHONE SURVEY: ALA AND THE STORES
What do store-level people think about the industry's big trade association?
Page 14

BITS & PIECES:
More merchandising tips from Dale Turner.
Page 20

THE RESALE OUTLOOK FOR 1983
Top officials from 14 agencies preview the coming year.
Page 24

THE 1983 MILREP DIRECTORY
A complete alphabetical listing of military representative companies.
Page 32

THE YEAR AHEAD: STORY INDEX
A preview of 11 months of feature stories.
Page 40

INDEX FOR THE BUYERS GUIDE
A reference guide to our listing of companies doing resale business with the military.
Page 42

THE 1983 BUYERS GUIDE
The most inclusive, accurate published listing of companies that do business with the resale agencies.
Page 44

About the cover . . .
Art by Garnett Sullivan

DEPARTMENTS

Editorial Comment 4
Supplier News 22
Calendar 127
News 9
NEW PRODUCTS 122
[illegible] comix 127
OPINION 18
Military Market INDEX 127
Ad INDEX 128

Military Market is published 12 times a year by the Army Times Publishing Co., 475 School St. S.W., Washington, DC 20024. Single copies, $2, except January Buyers Guide and July Almanac and Directory issues, $5 each. Yearly subscriptions within the U.S., $20; to civilian addresses outside the U.S., $25. Second class postage paid at Hanover, N.H. Postmaster: Send form 3579 to Military Market, 475 School St. S.W., Washington DC 20024.

The material in this publication is copyrighted and may not be reproduced in whole or part without written permission of the publisher.

For a complete list of Army Times Publishing Co. offices, see back page.

PRESIDENT
William F. Donnelly
EXECUTIVE VICE PRESIDENT
Henry L. Belber
VICE PRESIDENTS
Donald J. Garyantes, Production; Thomas B. Moore, Circulation; Robert E. Schweitz, Editorial; Joseph G. Varga, Advertising

EDITOR
Nancy Tucker
MANAGING EDITOR
Guy V. Lamolinara
ASSOCIATE EDITORS
David B. Cooley, Susanne D. Williams
EDITORIAL ASSISTANT
Karla G. Williams
ATPUBCO NEWS SERVICE
Bruce Covill, Chief; Allen E. Carrier, Martha Craver, Tom Philpott, Paul Smith
ART DIRECTOR
Jack Auldridge
ART CONSULTANT
Garnett Sullivan
STAFF PHOTOGRAPHERS
Joe Matera, Kate Patterson
ADVERTISING MANAGER
Vincent Santoro
CIRCULATION
S.C. Parojinog
ADVERTISING PRODUCTION
Phyllis King
EXECUTIVE OFFICES
475 School St. S.W., Washington, DC 20024, (202) 554-7180

BPA

COPYRIGHT ARMY TIMES PUBLISHING CO. 1983, ARMY TIMES PUBLISHING CO. — TRADE DIVISION, MILITARY MARKET (COMEX), (USPS 911-580)

Military Market INDEX

COMMISSARIES

		SEPTEMBER			YEAR-TO-DATE		
		CY'82	CY'81	%CHANGE	CY'82	CY'81	%CHANGE
AIR FORCE	CONUS	$139,928	$131,690	+6.26	$1,236,903	$1,160,011	+6.63
	OVERSEAS	28,250	26,934	+4.89	247,743	236,168	+4.90
	TOTAL	168,178	158,624	+6.02	1,484,646	1,396,179	+6.34
ARMY	CONUS	99,736	92,400	+7.94	895,128	852,328	+5.02
	OVERSEAS	30,264	27,200	+11.26	269,256	252,464	+6.65
	TOTAL	130,000	119,600	+8.70	1,164,384	1,104,792	+5.39
NAVY	CONUS	51,334	49,064	+4.63	458,894	434,817	+5.54
	OVERSEAS	6,006	5,725	+4.91	53,824	52,382	+2.75
	TOTAL	57,340	54,789	+4.66	512,718	487,199	+5.24
MARINES	CONUS	11,800	10,918	+8.08	97,640	93,194	+4.77
	OVERSEAS	235	159	+47.80	1,597	1,473	+8.42
	TOTAL	12,035	11,077	+8.65	99,237	94,667	+4.83
COAST GUARD	CONUS	220	219	+0.46	2,528	4,124	—*
	OVERSEAS	216	358	-39.66	1,649	1,965	-16.08
	TOTAL	436	577	-24.44	4,177	6,089	—*
ALL COMMISSARIES	CONUS	303,018	284,291	+6.59	2,691,093	2,544,474	+5.76
	OVERSEAS	64,971	60,376	+7.61	574,069	544,452	+5.44
	TOTAL	$367,989	$344,667	+6.77	$3,265,162	$3,088,926	+5.71
GROCERY STORES	U.S.	$19.133 bil.	$18.177 bil.	+5.26	$170.655 bil.	$161.832 bil.	+5.45

EXCHANGES

		SEPTEMBER			YEAR-TO-DATE		
		CY'82	CY'81	%CHANGE	CY'82	CY'81	%CHANGE
AAFES	CONUS	$221,590	$195,353	+13.43	$1,951,656	$1,771,532	+10.17
	OVERSEAS	145,998	128,640	+13.49	1,314,593	1,207,641	+8.86
	TOTAL	367,588	323,993	+13.46	3,266,249	2,979,173	+9.64
NAVY	CONUS	85,257	84,197	+1.26	746,572	743,335	+0.44
	OVERSEAS	35,097	31,185	+12.54	304,699	274,697	+10.92
	TOTAL	120,354	115,382	+4.31	1,051,271	1,018,032	+3.27
MARINES	CONUS	27,302	25,706	+6.21	246,757	227,130	+8.64
	OVERSEAS	4,541	3,906	+16.26	41,444	34,768	+19.20
	TOTAL	31,843	29,612	+7.53	288,201	261,898	+10.04
COAST GUARD	CONUS	5,838	6,048	-3.47	52,995	53,071	-0.14
	OVERSEAS	651	674	-3.41	5,908	5,919	-0.19
	TOTAL	6,489	6,722	-3.47	58,903	58,990	-0.15
MAIL ORDER	CONUS	983	731	+34.47	9,197	6,551	+40.39
	OVERSEAS	2,652	2,875	-7.76	33,668	26,810	+25.58
	TOTAL	3,635	3,606	+0.80	42,865	33,361	+28.49
ALL EXCHANGES	CONUS	340,970	312,035	+9.27	3,007,177	2,801,619	+7.34
	OVERSEAS	188,939	167,280	+12.95	1,700,312	1,549,835	+9.71
	TOTAL	$529,909	$479,315	+10.56	$4,707,489	$4,351,454	+8.18
DEPARTMENT STORES	U.S.	$8.377 bil.	$8.136 bil.	+2.96	$71.352 bil.	$68.277 bil.	+4.50

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

*Not comparable because of Sept. 1, 1981, conversion of commissary at Petaluma to NAF status.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

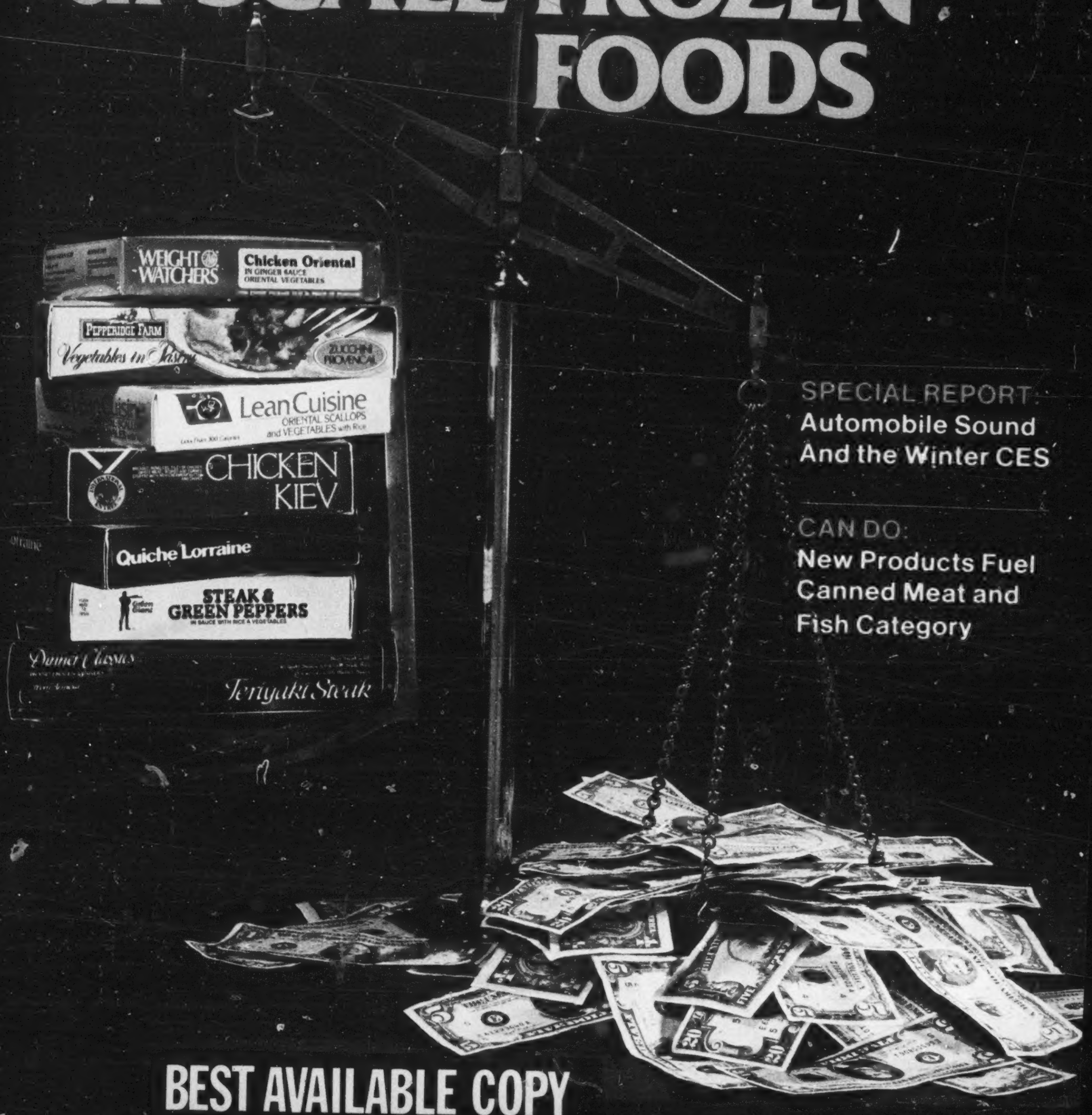
BEST AVAILABLE COPY

Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM • ARMY TIMES PUBLISHING COMPANY • FEBRUARY 1983 $2

-/ C0500-1 4/20/83

UPSCALE FROZEN FOODS


WEIGHT WATCHERS
Chicken Oriental
IN GINGER SAUCE
ORIENTAL VEGETABLES
PEPPERIDGE FARM
Vegetables in Pastry
ZUCCHINI PROVENCAL
Lean Cuisine
ORIENTAL SCALLOPS
and VEGETABLES with Rice
CHICKEN KIEV
Quiche Lorraine
STEAK & GREEN PEPPERS
IN SAUCE WITH RICE & VEGETABLES
Dinner Classics
Teriyaki Steak

SPECIAL REPORT:
Automobile Sound
And the Winter CES

CAN DO:
New Products Fuel
Canned Meat and
Fish Category

BEST AVAILABLE COPY

BEST AVAILABLE COPY

UPSCALE FROZEN FOODS

WEIGHT WATCHERS
Chicken Oriental
Lean Cuisine
CHICKEN KIEV
Quiche Lorraine
STEAK & GREEN PEPPERS
Teriyaki Steak
SALMO
RICH'S
Sara Lee Croissants

Although sales for the category overall are still flat, several subcategories — most notably the upscale, high quality products — are showing strong sales gains. Single-serving and "light" products are also helping to lead frozens out of the doldrums.

By GUY LAMOLINARA
Managing Editor

THE FROZEN FOOD aisle is fast becoming a class act.

Consumers are warming up to a new trend: Frozens have gone upscale as Americans become increasingly willing to purchase more costly, higher quality products.

This does not mean, however, that the last year's chill is off for the category as a whole. Sales are still flat: According to SAMI figures for the four weeks ending Oct. 15, 1982, tonnage sales increased by only 0.5 percent, compared with the previous four weeks. Most of this increase was attributable to the upscale products, many of which also fall into the low-calorie and single-dish items.

"The single dish is quite big," Dan Harrison, executive editor of *Frozen Food Age* magazine, tells MILITARY MARKET. "One of the major trends is a very significant upgrading in quality in response to consumer needs.

"The consumer is less willing today to settle for a [lower] level of quality, but he is also looking for value. If they're going to pay a premium price, they want a premium product," he says.

Joanne Delaney, a spokeswoman for the Frozen Food Action Communication Team, a public affairs arm for the industry, tells MILITARY MARKET: "Gourmet frozen food is more upscale. It's good for those who work and can't be bothered with cooking. Even the dessert category is becoming more exotic, with such things as pudding cakes."

Says Marguerite Dannemiller, a spokeswoman for **Stouffer Foods:** "The upscale trend could be for any number of reasons. We have more two-income families, and as a result, two things happen: People have more money to pay for higher quality products in any category, be it food or whatever; they also have less time to fix dinner, but they don't want a meal that's not quite up to par."

Sole Food

As the size of American family shrinks, the desire for single-serving, high quality frozen entrees is surging. "Their [the small family's] needs have been met very efficiently by the frozen foods industry," Delaney says. "Cheesecake for two was unheard of two years ago."

Industry giant **Campbell's Pepperidge Farm** line introduced Deli's in early 1982. The single-portion entrees have been extended to a line of Vegetables in Pastry, which can be eaten as a side dish or an entree.

Campbell's, famous for its compartmentalized low-cost **Swanson** TV dinners, is covering all bases in the upscale market. It is testing a line of dinners, Le Menu, in the Western United States; the dinners are sold under the Swanson logo. The eight varieties include sweet and sour chicken, beef sirloin tips and breast of chicken Parmesan.

"The trend is to high quality products," S.B. Clark, MSM, tells MILITARY MARKET. Scott Rombach, a company spokesman says, "Research showed the $2 billion frozen dinner market was really increasing in the upscale products. Sales were up 37 percent in dollars, and up 20 percent in cases. The total market for dinners alone was only up 11½ percent in dollars, and the case volume was flat. No one was really offering an upscale frozen dinner. Stouffer has the entrees."

Lightening Up

The impact of Stouffer Foods' low-calorie Lean Cuisine is by now history. Encouraged by what company spokeswoman Dannemiller calls "an extremely successful product line," Stouffer is test marketing new varieties: Salisbury steak with Italian-style vegetables, cheese canneloni, and beef and pork canneloni. The products will probably roll out sometime this year, Dannemiller says.

(Continued on page 18)

FROZENS

(Continued from page 17)

"No one can believe how Lean Cusine took off," Delaney says. "People who are not even on diets eat Lean Cuisine."

A company that has always recognized the need for low-calorie frozen foods — and low-calorie foods in general — is taking advantage of the public's increasing obsession with the battle of the bulge. **Foodways National Inc.**, manufacturer of **Weight Watchers** foods, now has 26 frozen meals in its line, in single serving and one-, two- and three-compartment dinners.

Top seller is the lasagna, but the new Southern fried chicken is "strong," says Phyllis Linville, manager of military sales. Some would wonder how fried chicken can ever be low in calories. Linville explains that the skin has been removed and a light breading coats the pieces.

Weight Watchers has somewhat of an edge over its chief competition in the sweet-tooth category. (Stouffer does not offer desserts.) Six dessert items — two cheese-

Sara Lee
CROISSANTS
Sara Lee
CROISSANTS
Sara Lee
CROISSANTS

KITCHENS OF SARA LEE will roll out its French croissants this month. The new croissants will be larger and more delicate than the company's original croissants, which have been in selected areas since 1968.

Nobody knows the celery you've seen.

The perpetual parade of carrots, cucumbers and cottage cheese.

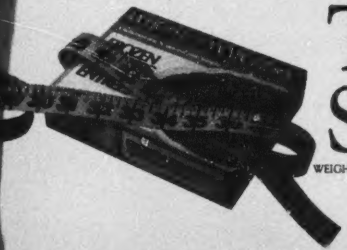
Fortunately, Weight Watchers® can lift you out of the doldrums of dreary diet food. With 26 divine frozen meals.

Like this Lasagna. Loaded with mouth-watering morsels of veal, rich ricotta cheese and spicy tomato sauce.

Juicy Beefsteak smothered in gravy. Pizza with lots of pizzazz.

After all, it's easier for you to say diet when the taste never does.

WEIGHT WATCHERS®
26 FROZEN MEALS.
TRY IT. YOU'LL DIET.



THE TASTE THAT NEVER SAYS DIET.

WEIGHT WATCHERS IS THE REGISTERED TRADEMARK OF WEIGHT WATCHERS INTERNATIONAL, INC. © WEIGHT WATCHERS INTERNATIONAL, INC. 1982

WEIGHT WATCHERS
Veal Sausage Pizza Pie
NEW
WEIGHT WATCHERS
Vegetable Supreme Pizza Pie
NEW
WEIGHT WATCHERS
Cheese Pizza Pie
NEW
WEIGHT WATCHERS
Deluxe Combination Pizza Pie with veal sausage
NEW

EVEN THOSE ON A DIET can indulge in Weight Watchers' frozen pizzas, which are 400 calories or fewer per serving.

cakes, two cobblers, and carrot and apple-raisin cakes — are now being sold in about 60 percent of the country. Linville says these will probably roll out nationally this summer. The desserts are naturally sweetened and have less than 200 calories per serving.

When speaking of Stouffer, Linville tells MILITARY MARKET she is not dismayed by the success of Lean Cuisine. "Both [Weight Watchers and Lean Cuisine] are having tremendous years. Lean Cuisine has brought a lot of interest to the category," she says.

She is also in complete agreement with Harrison, of *Frozen Food Age*, on the industry trends. "There is some good growth in the diet category. The trend is also toward entrees and a high quality product."

The public's buying mood has not escaped savvy seafood marketers. **General Mills' Gorton's** seafood now features a four-item line of Light Recipe fish sticks and filets.

Sweets Turn Sour

Producers of frozen desserts are not as happy as their counterparts down the aisle. "It's hard to pinpoint a reason [why sales are flat], but there are probably three reasons why. People are watching their weight; desserts are expendable. If people are feeling the pinch of the recession, they feel they don't have to buy dessert; and in-store bakeries are also having an effect," Harrison explains.

"It should be noted that there have been some new entries that have helped that category, such as pudding on a stick and pudding-in-the-middle cakes," he says.

Kitchens of Sara Lee is currently the only national manufacturer of these cakes. The newest flavors are banana cake/banana pudding and lemon cake/lemon pudding.

Following the upscale trend is Sara Lee's line of croissants. "The croissant is destined to become the country's premium choice in bread and roll varieties," says Terry L. Moran, communications manager. Available in February 1983 in all butter, cheese, and

(Continued on page 20)

CHICAGO COMPANY PIONEERS ETHNIC CATEGORY

CHITTERLINGS
DINNER

SOUL CHEF'S frozen dinners, available in four varieties, are currently the only frozen soul food dinners being sold nationally. Sales so far are concentrated in the Chicago area.

"THE NEXT TREND in ethnic food will be soul food," sales coordinator Vanessa Blackman matter-of-factly tells MILITARY MARKET. "People are always interested in other types of foods, in trying something different without all the work."

Soul Chef Inc. has been marketing frozen soul food dinners for the past two years to supermarkets. The dinners available are stewed hog maws, stewed pork chitterlings with spaghetti and greens, ham hocks with black-eyed peas and cornbread, and smothered chicken with greens and rice. Canned southern-style vegetables are also sold under the Soul Chef label.

The company is still operating in the red, but sales are encouraging. "Sales have doubled in the past year," Blackman says. "Our sales are concentrated in Chicago, where the company is based. Only recently have we been going to other markets." More than 100 supermarkets in the Chicago metropolitan area handle Soul Chef; these markets are chiefly in predominantly black neighborhoods.

Fort Riley, Kans., is currently the only commissary handling the products, and company sales reps are hard at work to get the products into the number of commissaries necessary for inclusion on the Supply Bulletin. "We are looking for a broker to handle our products," Blackman says.

Soul Chef was started by Kenneth Hennings and his partner Fletcher Smith with only $2000. The company believes there is a $30 million market for these foods. "We just have to get people to try it," Blackman says. — G.L.

BEST AVAILABLE COPY

FROZENS

(Continued from page 19)

wheat and honey, the croissants will be sold four to a box and will retail for $1.79. The new croissants are described as differing from the company's original croissants (which have been sold since 1968 in selected markets) as being more authentically French style — more delicate and larger. Another so-called upscale dessert is Sara Lee's New York style cheesecake.

Juices Squeeze Sales

"As a whole, the frozen foods category was relatively flat in 1981," says Harrison.

Frozen seafood is one category segment that has taken a beating as a result of "very high prices," he says. And like frozen dessert makers, frozen seafood producers are facing increasingly stiff competition from fresh seafood departments.

Juice prices also surged in 1981 and 1982, causing sales to suffer with every increase. Interestingly, declining juice sales have had a detrimental effect on the category as a whole.

"Juices are a traffic builder, so it [the decline] has an effect on sales, especially impulse sales," Harrison says. "A lot of people walk into the department to buy juice, and if they buy another [frozen] product, it is usually because they walked down the aisle to buy juice."

The pizza wars between industry leaders **Totino's**, from **Pillsbury**, and **Jeno's** may have hurt — more than helped — sales. Harrison says sales in October 1982 were off 5.7 percent from a year ago.

General Mills is re-entering the fray with an entirely new line of **Chef Saluto** frozen pizzas, which the company calls the first frozen pizza with a partially baked crust. Fresh-Bake will be introduced primarily in the Southwest, Southeast and Midwest. The pizza is packaged with its own disposable pan, which is supposed to result in a crisper crust.

In terms of prices, Delaney says the frozen foods category is especially susceptible to promotional campaigns, including coupons, because of the intense competition for market share. Campbell's Rombach predicts that prices will be "stable" in 1983 because ingredient prices have not increased significantly recently.

Industry experts believe new prosperity is as close as the economic recovery: "There has been an upswing in sales for the past eight consecutive four-week periods. As the economy responds, so will the sales of frozen foods," Harrison believes.

MM

COMMISSARY SALES OF FROZEN FOOD

	WORLDWIDE	DOMESTIC	OVERSEAS
Prepared foods			
Dinners	$23,594,900	$19,900,300	$3,694,600
Entrees	50,049,800	42,399,500	7,650,300
Meat pies	7,252,100	6,172,300	1,079,800
Pizzas	18,079,200	15,282,500	2,796,700
Other specialties	3,166,500	2,704,400	462,100
Bakery products			
Fruit and cream pies	11,173,000	9,553,600	1,619,400
Cakes	10,650,200	9,053,200	1,597,000
Breads, rolls, donuts	5,418,200	4,575,900	842,300
Other	10,127,800	8,611,900	1,515,900
Total	**$139,511,700**	**$118,253,600**	**$21,258,100**

SOURCE: Army Times Research Department. Data for CY 1981.

NEW RAILCAR MAY BOLSTER INDUSTRY

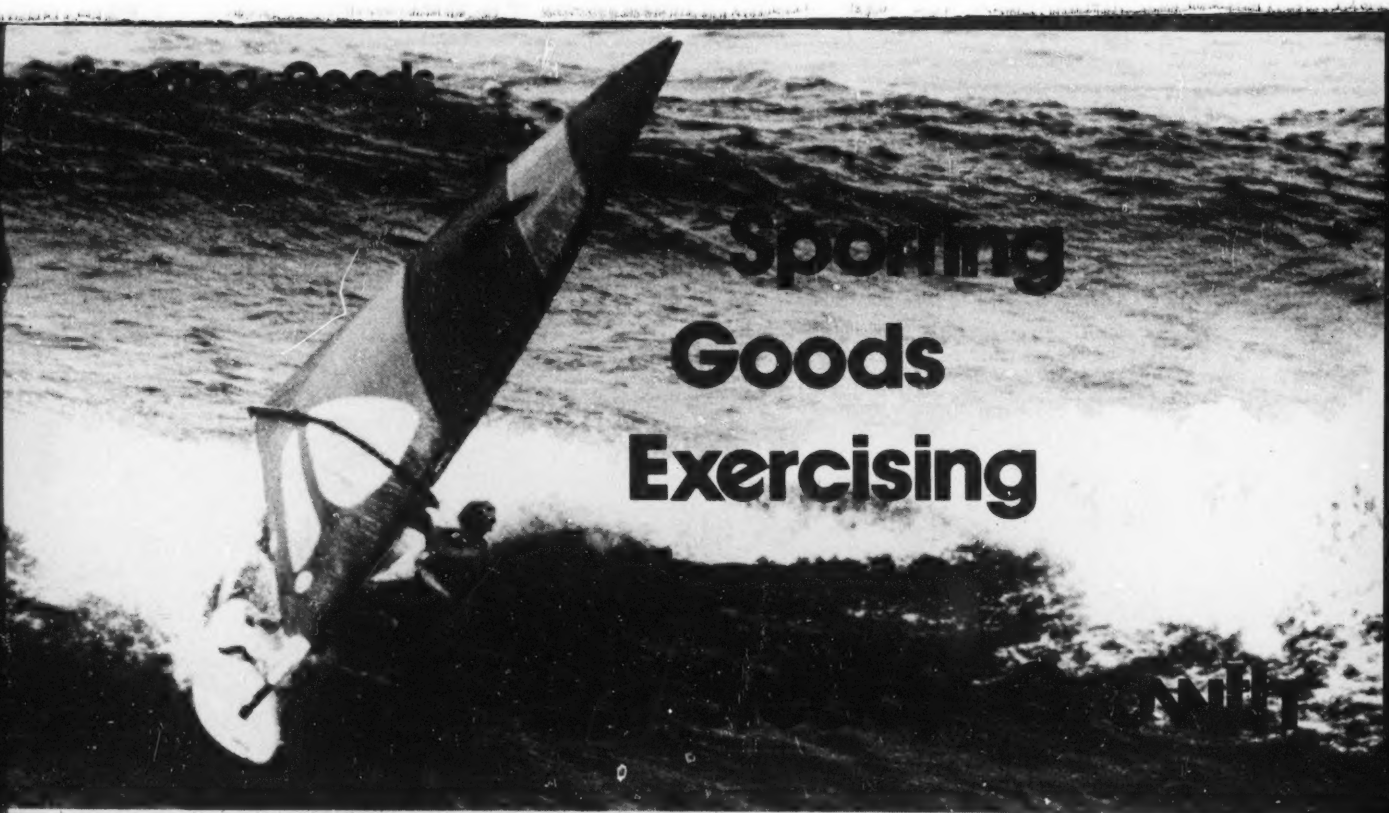
BECAUSE THE NUMBER of refrigerated railcars being removed from service as a result of old age is reaching dangerously high levels, engineering is now under way on a prototype cryogenic railcar that will keep food frozen with dry ice produced from liquid carbon dioxide.

According to *Frozen Food Report* magazine, in 1975 there were 22,000 conventional railcars in service. Last year the number dropped to 15,000 and by 1990 the number is expected to plummet to only 5000.

The Concool system is designed to store liquid carbon dioxide in interconnected storage tanks beneath the car's floor.

Carbon dioxide snow will be deposited on shipments before they leave for their destination. While in transit, additional amounts of snow will be discharged on the products when triggered by an automatic sensor.

Railroads have agreed to help with the initial testing. The new car is expected to be cheaper to operate than the old cars, and also promises to be easier to maintain and replace. Repair and replacement costs have been a growing industry concern since 1975, the point when the supply of refrigerated cars began to dwindle. — G.L.



Sporting Goods Exercising

BOARDSAILING as a sport is growing rapidly in Europe and in the United States.

Some segments of sporting goods show flat or decreasing unit sales but there's real growth apparent in the fishing tackle, exercise equipment and footwear categories.

By DAVID B. COOLEY
Associate Editor

SPORTING GOODS SALES for AAFES are "on target for 1982 — about a seven percent increase over 1981," says Marshall Sitrin, of AAFES' public affairs.

Advertising Age reported earlier this year that the sporting goods industry had a sluggish 1981, but marketers and retailers anticipate industry sales of $12.2 billion in 1982 vs. $11.76 billion in 1981 — an increase of 3.7 percent.

This cautious optimism is being fueled by some penetration of apparel into traditional sporting goods stores, increased sports participation by women and an increased physical fitness orientation in the minds of many Americans. One industry spokesman confirms this as he tells MILITARY MARKET, "Fitness has become an American life style." Additionally, "The cadre of dedicated players prefers to pay more and get quality equipment," says Sitrin.

Many people equate sporting goods solely with the ball sports — golf, tennis, baseball, softball, basketball, football, soccer and the like. But as important as the sales for such equipment are to exchanges, the volume leader within the sporting goods segment is fishing equipment and supplies — evidenced by the fact that they accounted for an estimated 23 percent of all exchange sporting goods sales in 1981.

However, the fastest growing category — the one generating the most excitement, according to several industry spokespersons — is exercise equipment.

Exercising to Fitness

Exercise equipment has not been a large volume item in exchanges *(see chart)*, but sales tend to be on the upswing, as they are in the civilian sector. Industry spokespersons say that the interest in physical fitness and personal appearance continues to be a deciding factor. Running shoes are enjoying a healthy increase in both the civilian and military sectors, though they are not sold in the sporting goods departments in the exchanges, but rather are sold in the shoe departments.

Thomas Doyle, director of information and research at the National Sporting Goods Association, agrees with that consensus as he tells MILITARY MARKET that the most excitement and sales growth within the sporting goods category is in exercise equipment. He said one company, **Gravity Guidance Inc.**, has really jumped on the wagon, or more literally, has climbed on the bar.

Gravity Guidance makes equipment that is used in inversion training — "intermittent traction" — as company spokeswoman Loretta Capitanich refers to it.

One combination of equipment is the boots and bar. This is a set of foam-padded metal bands that fits over the feet and hooks onto a bar. The bar, wedged horizontally in a doorway, provides the base for sets of exercises that are performed while hanging upside down. The company also markets a rotation table, which serves the same function as the bar. It requires more space, but allows more freedom of movement.

"The concept of exercising in the inverted position evolved from a government research study conducted in Florida in 1954," says Capitanich. From that study, the cofounders of the company, the father-and-son-team of Drs. Robert Martin, designed the equipment, which they now manufacture and market.

Sporting Goods

(Continued from page 21)

The equipment is being received so well by the public that Capitanich says it is "almost recession-proof."

Another industry spokesman confirms the idea that exercise equipment is the fastest growing category in sporting goods. His company markets a variety of equipment, including an in-place jogger. This is a trampoline-type device that allows jogging in place without the dangers, discomforts and hazards of jogging outside. He tells MILITARY MARKET that the in-place jogger is "more forgiving on the hip bones than jogging on pavement or grass."

He estimates the size of the exercise equipment market to be "some five or six times that of the market for golf equipment." As the golfers number somewhere between 12 million and 17 million, that places the estimate for the number of fitness buffs as high as 100 million Americans.

Fishing for Profits

Robert Smith, national sales manager at **Shakespeare Co.**, tells MILITARY MARKET that fishing equipment is selling well. "The Shakespeare line (rods, reels, lines and accessories) is the oldest in the industry. We have wide acceptance, quality, and we go from A to Z in price points, including the large rods and reels for saltwater fishing," Smith said.

Shakespeare uses five manufacturing methods for fishing rods and has 30 new models available for 1983. The company has named the stellar fishing rod in its line "the Ugly Stik." In production since 1977, Ugly Stiks are not ugly. They are top-of-the-line fishing rods that combine an inner spiral of graphite with an outer layer of superstrong, superlight fiberglass.

"They have the lightness of graphite and the strength of glass. You can jerk the devil out of them and not break them," Smith said.

One of the more sophisticated items available from Shakespeare is its line of battery-driven electric fishing motors. New in the line for 1983 is the Shakespeare Sigma Supra 280 electric outboard motor, which has eight speed settings — from 2.5 pounds to 28 pounds of thrust — and which has a 360-degree swivel head, easy mounting fore or aft, wear-resistant logic circuit and a built-in night light. Smith jokingly added that they are small and portable. "Everyone has to have one in his tackle box."

EXCHANGE SALES OF SPORTING GOODS

	CY 1980	CY 1981
Fishing supplies & equipment	$21,522,237	$20,491,300
Camping supplies & equipment	13,871,473	17,314,000
Tennis and racquet ball	12,119,511	12,074,000
Golf supplies & equipment	8,027,500	8,210,000
Team sports	7,609,040	7,936,200
Hunting supplies & equipment	6,266,053	4,808,380
Water sports	4,823,142	4,935,000
Skiing & winter sports *	4,483,798	4,461,000
Exercise equipment	993,743	2,770,000
Other sporting goods	3,052,951	3,509,600
Total	$84,544,891	$86,509,480

* Includes snowmobiles

SOURCE: Estimates by Army Times Research Department, based on sales of sporting goods departments and subdepartments of the various exchange systems and analysis of purchase orders by the exchange systems.

Doyle, of the National Sporting Goods Association, echoes the sentiments at Shakespeare. He tells MILITARY MARKET, "Fishing is staging a nice comeback, if license sales are any indicator."

Swing Into Tennis

Tennis continues to be an important segment of sporting goods. "There are some 16 million to 17 million tennis players in the United States, and they are buying better equipment," says Michael Casazza, national accounts manager at **Dunlop Sports Co.**

Dunlop's Black Max line of rackets made of graphite and fiberglass are now its top of the line, though the wooden Maxply line still enjoys popularity among many intermediate to advanced players. The Black Max rackets are lightweight and durable, and are available in midsize and oversize models. Casazza also reports considerable success with its DDH golf ball. The DDH has dimples of varying sizes and is reputed to have better loft.

Doug Rebert, brand manager at **Penn Athletic Products** tells MILITARY MARKET, "Tennis as a participation sport peaked in 1976, but Penn expects slow, steady growth for the next five years." He added, "Most of the current growth in the tennis market is occurring in the Sunbelt, where the playing season is longer."

Penn is an innovator in tennis balls, having invented the yellow ball in 1968, the orange ball in 1972 and the Ikatest yellow-and-orange ball in 1981.

Why the different-colored balls? Penn's research has shown that there is better hand-to-eye coordination when the color of the ball is varied, and that a player's accuracy increases an average of 23 percent with the two-tone ball.

Dunlop, too, has entered the marketplace with a yellow-and-orange tennis ball, although the company's national sales manager tells MILITARY MARKET, "The trend for this two-tone ball has yet to establish itself."

Water Sports

Windsurfing International Inc. began as a garage industry in 1969, and today is a multimillion dollar operation.

Boardsailing is the sport, and a sailboard (surfboard with a sail attached) is the equipment. The surfer places his feet in stirrup-straps, hangs onto a crossbar on the sail, and rides this small craft on the breakers, using his body as a balance bar. Obviously for the younger devotee, this sport has generated international competition in Hawaii in which men's and women's championships were decided last November.

According to *Boating Industry* magazine, boardsailing enthusiasts in Europe far outnumber those in the United States, due in part to a widespread instructional network for newcomers to the sport. As an energy-saving, closer-to-home recreation, *Boating Industry* believes boardsailing will become the sport of the 80s. MM

A MEATY PROBLEM

Chicken of the Sea
50% Less Salt
SPRING WATER

Chicken of the Sea
50% Less Salt
CHUNK LIGHT TUNA

The canned meat and fish category has had some rough sailing in the last year.

[redacted]

IN RESPONSE to consumer demand for reduced-sodium foods, Ralston Purina has introduced Chicken of the Sea tuna with 50 percent less salt. According to the company, the line extension is the first new tuna product distributed nationally in seven years and will be advertised under the theme "50% less salt, 100% great taste."

By SUSANNE D. WILLIAMS
Associate Editor

FOR THE PAST YEAR, a number of events have been fermenting under the lid of the canned meat and fish category.

While outwardly seeming stable, the category was, and still is, having its share of problems: a new and controversial product introduction; a recall in the salmon industry; slipping sales; and a breakdown in negotiations with Argentina, affecting the pricing of a number of canned meat products.

The picture of stability, particularly in the military market, is tied in part to a lack of change in the range of products offered. NAVRESSO, for instance, reports that the number of line items found in exchanges has remained

(Continued on page 24)

COMMISSARY SALES OF CANNED MEAT AND FISH CY 1981

	DOMESTIC	OVERSEAS	WORLDWIDE
FISH/SEAFOOD	$33,135,000	$7,604,500	$40,739,500
Tuna	23,956,600	5,498,100	29,454,700
Salmon	3,744,300	859,300	4,603,600
Crab	1,002,000	260,900	1,262,900
Shrimp	1,034,500	269,200	1,303,700
Sardines	1,486,800	387,200	1,874,000
Clams	775,700	202,100	977,800
Oysters	290,600	76,100	366,700
All others	844,500	51,600	896,100
MEAT/POULTRY	$37,687,500	$9,075,000	$46,762,500
Plain meats	11,871,600	2,952,100	14,823,700
Meat dishes	4,786,300	1,152,500	5,938,800
Specialty dishes	18,090,000	4,262,500	22,352,500
Italian	6,910,400	1,650,600	8,561,000
Spanish/Mexican	6,494,300	1,552,600	8,046,900
Oriental	4,685,300	1,059,300	5,744,600
Plain poultry	1,624,300	386,500	2,010,800
Prepared poultry	890,200	232,100	1,122,300
All others	425,100	89,300	514,400

SOURCE: Army Times Research Dept.

[redacted]

[redacted]

A MEATY PROBLEM

(Continued from page 23)

the same for the past year. (Commissary figures were not available.)

AAFES exchanges may see an increase in line items now that canned meat and fish are centrally purchased at AAFES Headquarters. "It definitely creates a situation [that allows us] to stock new items," Marshall Sitrin, an AAFES public affairs officer, told MILITARY MARKET.

Yet there is no great influx of new products into the canned meat market. **Libby**, for instance, announced that it added chicken Vienna sausage to its assortment in spring/summer 1982, but sees no changes in the number of line items offered to the military market for 1983.

Plumrose, known for its ham products, and doing best in the military with its two-pound ham imported from Denmark, does not plan any new introductions either. "There might be a new introduction at the end of 1983," the company's MSM said, "but primarily in the civilian market."

The MSM for **Carnation,** which markets its canned meat products under the Swift brand name, also said that the military preference for canned meat items has remained stable. Spreadables, Vienna sausages, luncheon snacks and chili are still the top Swift products in commissaries and exchanges.

Something New and Fishy

The situation looks considerably more volatile in the canned fish category, to which two new products — pilchard and low-salt tuna — have been added.

Port Clyde, which has been offering pilchard under the Holmes brand name exclusively to the military market since November 1981, is marketing its product via a two-pronged approach, stressing price as well as quality. It has launched a substantial educational ad campaign directed toward military shoppers. But the results of the ads "are terrible," the company MSM told MILITARY MARKET. "Shoppers cannot find the products on the shelves."

Initial sales, especially after instore demos nationwide, were more than encouraging, the MSM said, but later results were disappointing. In San Diego's 32nd Street Navy commissary, for instance, 4800 units were sold within two days, following an in-store demonstration, but the commissary did not reorder. According to the store manager, there was one reorder, but it did not sell well, partially because the couponing effort had stopped. "We got stuck with [the product]," he told MILITARY MARKET.

Port Clyde attributes the absence of reorders and the hesitancy of military buyers to stock the product to a combination of factors involving its broker, the military system and the tuna fish industry.

The first problem could have been solved by the end of last month with a replacement for the company's old broker. The military problem will be tackled by stressing the value of pilchard to system buyers and by launching the product in four civilian markets, which "may act as a vehicle" to renew military interest, the MSM said.

This leaves the company with the question of how to combat the price war that tuna fish companies have reportedly launched to keep the tuna rival off commissary shelves. "The tuna people offered price incentives up to 30¢," Reginald Cure, Port Clyde's VP for marketing and sales, told MILITARY MARKET. "Yet in no way has [the price for] tuna dropped. In addition, price reductions were only done in the military. [The tuna companies] never changed their list price, they just continued to offer VPRs back-to-back. There were enough games played.

"If we had offered pilchard as a price item, the tuna companies would have left us alone," he added. But by stressing the value of pilchard and educating consumers to its nutritional properties, the company thinks it has invited the wrath of big-name tuna suppliers. One of the tuna market giants, for instance, is the world's largest processor of pilchard, the VP said.

But the company does not sell the fish in the U.S. market — nor does it seem to want a pilchard competitor. "They won't kill the goose that lays golden eggs," Cure said.

According to one tuna industry source, pilchard accounts for only 0.5 percent of domestic canned fish sales and thus does not pose a threat to the tuna industry. "We don't pay any attention to it at all," he said. He also saw little hope for a major pilchard success in commissaries, particularly since the fish is offered "with practically no advertising." Asked about the lowered tuna prices, he stated that the price drop — "We followed our competitors" — was the result of a glut of tuna. He said his company lowered the list price for tuna and offered a number of VPRs.

Yet civilian retail sources indicated that tuna had, in effect, gone up in price last year because of a shortage of the product and increasing labor and equipment costs.

Meanwhile, **Ralston Purina** and **Starkist** have launched sodium-reduced extensions of their tuna lines. Starkist's Starkist Select boasts a 60 percent reduction of the fish's salt content and Ralston Purina's Chicken of the Sea line claims to have 50 percent less salt than its regular products.

The Starkist Select line was introduced in the civilian and military markets during the summer, whereas the Chicken of the Sea 50% Less Salt line — 135 milligrams sodium per two-ounce serving — was put on commissary shelves in September/October, a few weeks after its civilian debut. It is too soon to comment on its reception in the marketplace, a Ralston Purina spokeswoman told MILITARY MARKET, but the company is confident that the new line extensions are in tune with consumer interest in low-sodium foods. "That's the key right there," the spokeswoman said.

Both companies' reduced-salt content chunk light products are available in 6.5-ounce cans and packed in vegetable oil or spring water. But it is not a change of packing medium that accounts for the decrease in sodium, the Ralston Purina spokeswoman said. "We use tuna that is lower in salt. It tends to be a larger fish, although we don't specifically fish for bigger tuna. We have a procedure in our processing plant to test the tissue [of the fish]."

Troubled Waters

Tuna is undoubtedly the single biggest selling item in the military canned fish and seafood category, accounting for roughly two-thirds of all sales. Yet nationwide sales have been dropping, a spokesman for the National Marine Fisheries Service told MILITARY MARKET. "The tuna pack is down substantially, 19 percent alone between January and October 1982," he said. "Inventories are reported to be very high. When that happens, companies usually cut back their production."

Part of the problem is tuna's high price, caused by enormous fishing costs. Although the price of fuel has leveled off or even declined, "it still takes a lot of fuel to go down off the coast of South America," the Fisheries spokesman said. Currently, U.S. boats are still barred from fishing for tuna in closer-by Mexican waters, a situation that prompted a U.S. embargo on Mexican tuna.

Salmon, tuna's distant competitor for canned fish consumers' preference, is swimming in even more precarious waters. A nationwide recall of 7¾-ounce cans, caused by reports on salmon-based occurences of botulism, "definitely has had an impact," the editor of *Seafood Business Report* told MILITARY MARKET.

And "yes, it did have an effect on AAFES," the system's spokesman said, "but [the sales situation] is recovering, although not back to where it was." NAVRESSO salmon was recalled as well, but a commissary spokesman was not willing to assess its effect. "That would be speculation," he said. "I would have to guess."

The Fisheries spokesman confirmed that "sales are extremely slow. The recall had a lot to do with it, although sales were even slow when the botulism incidents occurred.

"Catches of the red and pink salmon have not been as great as we thought they would be," he said. Although he cautioned that catch estimates tend to be off by substantial amounts — "the fish have a lot to say about it" — estimates are necessary to determine the number of cans needed in Alaska to process the fish. Thus, "bad estimates are still better than none."

According to the editor of *Seafood Business Report*, tall reds (one-pound cans of red salmon) are practically sold out, but sockeye halfs (usually 7¾-ounce cans of salmon) as well as 1979 inventory are still being offered. 1983 salmon movements will depend on the new catch, which could come in as early as July.

The Alaska Seafood Marketing Institute is prepared to counteract salmon's tarnished reputation with a $3 million promotional campaign, an industry expert said. It also reported that a nationwide consumer study, conducted after the recall, showed that 94 percent of shoppers have no hesitation about buying canned salmon, and that the recall did not have a lasting negative effect.

South of the Border

Diseases of a different kind are often a fact of life in the canned meat category, especially for those meats imported from countries with hoof-and-mouth disease. Currently affected are Denmark (for pork) and most South American countries (for beef); affected countries regularly cook their meat to kill the microorganisms before shipping it to the United States for further processing. In addition, local and U.S. health inspectors assure that the meat is safe before being shipped north.

U.S. meat processors depend on Latin American beef, especially for corned beef, since domestic beef is not suitable for canning. "Our country produces fat carcass," a spokesman for the National Meat Canners Association told MILITARY MARKET. "We prefer leaner meat for manufacturing."

Until now, trade agreements between Argentina and the United States have kept import tariffs at a low 3.5 percent, but a recent failure by Argentina to comply with the agreement's provisions will jack up duties for corned beef imports to pre-agreement levels. While the United States had consented to "reduce its duty on corned beef" in the 1979 agreement, it now states that the rate of duty will remain in effect until Oct. 30, 1983, at which time it will revert to 7.5 percent.

The higher duties will also have an impact on corned beef coming from other Latin American countries, particularly Brazil, the major supplier. Brazil has benefited from the U.S.-Argentina trade agreement through the most-favored-nation clause, but will be equally affected by Argentina's failure to live up to the agreement because of balance-of-payment problems, a spokeswoman for the U.S. Trade Representative's Office told MILITARY MARKET.

For American meat processors as well as consumers, the duty increase will translate into higher prices for canned corned beef products. Furthermore, Carnation announced that all canned meat items will increase in price in 1983. Beef stew, a company spokesman said, had already priced itself out of market popularity when its retail price hit $1.

Price increases might also come from Libby and Plumrose, although they are not expected until the end of the year. Hardest hit might be corned beef products, which are the top canned meat sellers in Navy commissaries.

In themselves, the price hikes might not be an immediate cause for alarm. According to the Libby spokeswoman, canned meat sales are in direct relation to the prices for fresh meat: When fresh meat prices go up, canned meat sales increase; if fresh meat prices go down, canned meat prices slow down.

Overall, canned meat sales have declined somewhat, a number of sources said, but the military market remains rather stable. Popular are small cans of snack meats that military personnel can take into the field to supplement their diets. **Armour**, for instance, has equipped practically its whole line with easy-open cans, making it "particularly valuable for the single G.I.," according to the company MSM. The popularity of single-serving canned products in the military might also explain NAVRESSO's recent addition of tuna fish products with pull-top lids.

Although the economy is blamed in part for reduced sales in the canned meat and fish categories, none of the sources contacted by MILITARY MARKET expressed serious concern. "Our sales growth has been less in the military [than in the civilian market]," one company spokesman said. "But a great deal of potential is there."

MM

[redacted]

[redacted]

Military Market INDEX

COMMISSARIES

		OCTOBER			YEAR-TO-DATE		
		CY'82	CY'81	%CHANGE	CY'82	CY'81	%CHANGE
AIR FORCE	CONUS	$145,228	$143,329	+1.32	$1,382,131	$1,303,340	+6.05
	OVERSEAS	29,658	28,657	+3.49	277,402	264,825	+4.75
	TOTAL	174,886	171,986	+1.69	1,659,533	1,568,165	+5.83
ARMY	CONUS	115,336	104,832	+10.02	1,010,464	957,160	+5.57
	OVERSEAS	32,240	31,408	+2.65	301,496	283,872	+6.21
	TOTAL	147,576	136,240	+8.32	1,311,960	1,241,032	+5.72
NAVY	CONUS	53,615	54,966	-2.46	512,509	489,784	+4.64
	OVERSEAS	6,150	6,464	-4.86	59,975	58,845	+1.92
	TOTAL	59,765	61,430	-2.71	572,484	548,629	+4.35
MARINES	CONUS	11,325	11,351	-0.23	108,965	104,545	+4.23
	OVERSEAS	190	183	+3.83	1,786	1,656	+7.85
	TOTAL	11,515	11,534	-0.16	110,751	106,201	+4.28
COAST GUARD	CONUS	237	219	+8.22	2,765	4,343	—*
	OVERSEAS	228	124	+83.87	1,877	2,089	-10.15
	TOTAL	465	343	+35.57	4,642	6,432	—*
ALL COMMISSARIES	CONUS	325,741	314,697	+3.51	3,016,834	2,859,172	+5.51
	OVERSEAS	68,466	66,836	+2.44	642,536	611,287	+5.11
	TOTAL	$394,207	$381,533	+3.32	$3,659,370	$3,470,459	+5.44
GROCERY STORES	U.S.[1]	$19.747 bil.	$19.274 bil.	+2.45	$190.465 bil.	$181.106 bil.	+5.17

EXCHANGES

		OCTOBER			YEAR-TO-DATE		
		CY'82	CY'81	%CHANGE	CY'82	CY'81	%CHANGE
AAFES	CONUS	$220,661	$201,225	+9.66	$2,172,317	$1,972,757	+10.12
	OVERSEAS	163,372	136,928	+19.31	1,477,965	1,344,569	+9.92
	TOTAL	384,033	338,153	+13.57	3,650,282	3,317,326	+10.04
NAVY	CONUS[2]	89,892	89,922	-0.03	836,464	833,257	+0.38
	OVERSEAS[2]	36,977	33,692	+9.75	341,676	308,389	+10.79
	TOTAL[2]	126,869	123,614	+2.63	1,178,140	1,141,646	+3.20
MARINES	CONUS	28,008	27,707	+1.09	274,766	254,837	+7.82
	OVERSEAS	4,167	4,216	-1.16	45,611	38,984	+17.00
	TOTAL	32,175	31,923	+0.79	320,377	293,821	+9.04
COAST GUARD	CONUS[3]	6,133	5,212	+17.67	59,128	58,282	+1.45
	OVERSEAS[3]	684	581	+17.73	6,592	6,500	+1.42
	TOTAL[3]	6,817	5,793	+17.68	65,720	64,782	+1.45
MAIL ORDER	CONUS[4]	947	730	+29.73	10,144	7,281	+39.32
	OVERSEAS[4]	3,192	3,312	-3.62	36,860	30,121	+22.37
	TOTAL[4]	4,139	4,042	+2.40	47,004	37,402	+25.67
ALL EXCHANGES	CONUS	345,641	324,796	+6.42	3,352,819	3,126,414	+7.24
	OVERSEAS	208,392	178,729	+16.60	1,908,704	1,728,563	+10.42
	TOTAL	$554,033	$503,525	+10.03	$5,261,523	$4,854,977	+8.37
DEPARTMENT STORES	U.S.[1]	$9.162 bil.	$8.965 bil.	+2.20	$80.517 bil.	$77.242 bil.	+4.24

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

*Not comparable because of Sept. 1, 1981, conversion of commissary at Petaluma to NAF status.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cover 1, p.2, 41, 43, 62.

BEST AVAILABLE COPY

Military Market

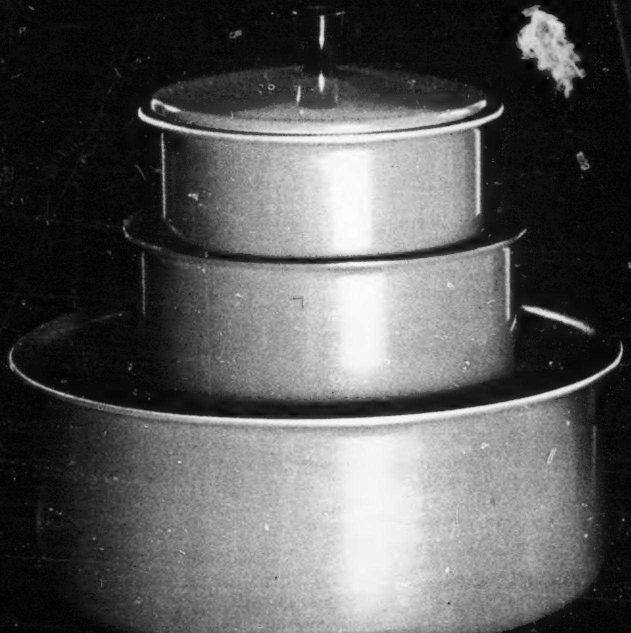
MAGAZINE FOR THE MILITARY RETAIL SYSTEM ARMY TIMES PUBLISHING COMPANY MARCH 1983 $2.00

3/8/83

C0500-1

Curtains Up On HOUSEWARES '83

MMMD20814 1283 3 03 C 01
CONGRESSIONAL INFO SVC
JOSEPH MCNALLY
4520 E-W HWY/#600
BETHESDA MD 20814



Exchange H&BA:
Housebrands? P-O-P? Facings?
— Page 51

HQ Voice for
Enlisteds and Their Families
— Page 59

Military Market
MAGAZINE FOR THE MILITARY RETAIL SYSTEM
ARMY TIMES PUBLISHING COMPANY
MARCH 1983
VOLUME 34, NO. 3

CONTENTS

FEATURES

TELEPHONE SURVEY: ETHNIC H&BA
Does the demand justify the shelf space?
Page 16

BITS & PIECES
It's time for spring cleaning — your customers' homes as well as your store.
Page 34

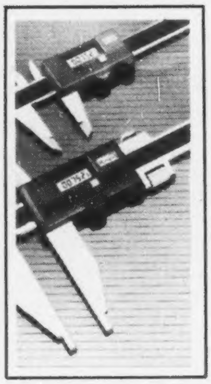
HARDWARE
Marketers crank up for a surge in DIY sales this year.
Page 36

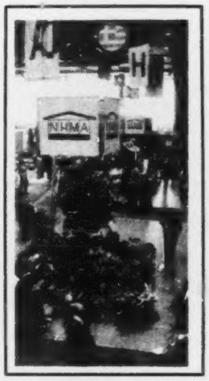
PAPER, WRAPS & BAGS
A report on a category facing an economic crunch.
Page 41

COVER STORY: HOUSEWARES SHOW
What manufacturers are cooking up for 1983.
Page 44

H&BA: SAVING FACINGS
A few new wrinkles in the personal care business.
Page 51

SYSTEM OF THE MONTH: NEXs
Navy enlisteds and their families have a HQ ombudsman.
Page 59


Page 36


Page 44

Page 59

Page 51

About the cover . . .
Housewares courtesy of The Regal Co. Photo by Kate Patterson

DEPARTMENTS

Editorial Comment 4
News 9
OPINION 33
Troop Maneuvers 39
Supplier Notes 39
Military Market INDEX 62
Calendar 63
[illegible] comix 63
Ad INDEX 64

Military Market is published 12 times a year by the Army Times Publishing Co., 475 School St. S.W., Washington, DC 20024. Single copies, $2, except January Buyers Guide and July Almanac and Directory issues, $5 each. Yearly subscriptions within the U.S., $20; to civilian addresses outside the U.S., $25. Second class postage paid at Hanover, N.H. Postmaster: Send form 3579 to Military Market, 475 School St. S.W., Washington, DC 20024.

The material in this publication is copyrighted and may not be reproduced in whole or part without written permission of the publisher.

For a complete list of Army Times Publishing Co. offices, see back page.

PRESIDENT
William F. Donnelly
EXECUTIVE VICE PRESIDENT
Henry L. Belber
VICE PRESIDENTS
Donald J. Garyantes, Production; Thomas B. Moore, Circulation; Robert E. Schweitz, Editorial; Joseph G. Varga, Advertising

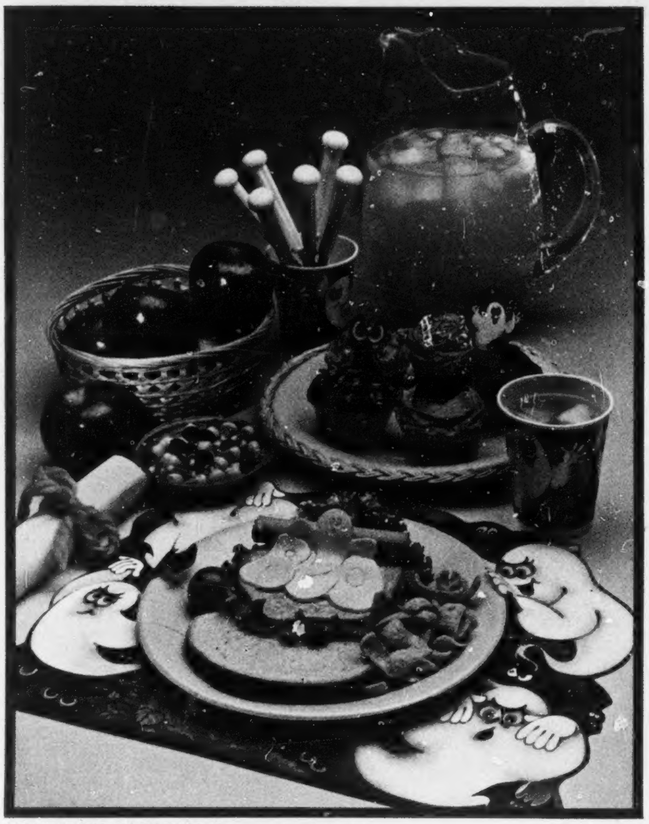
EDITOR
Nancy Tucker
MANAGING EDITOR
Guy Lamolinara
ASSOCIATE EDITORS
David B. Cooley, Susanne D. Williams
EDITORIAL ASSISTANT
Karla G. Williams
ATPUBCO NEWS SERVICE
Bruce Covill, Chief; Allen E. Carrier, Martha Craver, Tom Philpott, Paul Smith
ART DIRECTOR
Jack Auldridge
ART CONSULTANT
Garnett Sullivan
STAFF PHOTOGRAPHERS
Joe Matera, Kate Patterson
ADVERTISING MANAGER
Vincent Santoro
CIRCULATION
S.C. Parojinog
ADVERTISING PRODUCTION
Phyllis King
EXECUTIVE OFFICES
475 School St. S.W., Washington, DC 20024, (202) 554-7180

BPA

COPYRIGHT ARMY TIMES PUBLISHING CO. 1983, ARMY TIMES PUBLISHING CO. — TRADE DIVISION, MILITARY MARKET (COMEX), (USPS 911-580)

A Paper Chase

The paper, wraps and bags market is in a state of flux. Some manufacturers claim the low- and high-end products are squeezing out moderately priced items; others say generics and value brands will be the leaders of the future.



HALLMARK CARDS' Halloween partyware.

By GUY LAMOLINARA
Managing Editor

THE PAPER, WRAPS AND BAGS industry is in a crunch situation, but there is no agreement among industry experts as to which segments of the market are feeling the squeeze.

Some industry experts, such as **Dow Chemical Co.**'s marketing development manager Roland Preuss, tell MILITARY MARKET, "The Cadillacs of the industry and the low-end [products] are doing well, and this situation is occurring in many [grocery] categories."

Presto Products Inc.'s MSM Al Dobbratz says one of the industry's growth segments in plastics is in the "controlled-label value brands."

Paper Rollbacks

One way manufacturers are fighting the low-end competition is with "new and improved" products. **Procter & Gamble,** for instance, has recently improved White Cloud and its best selling toilet tissue, Charmin, and "as a result of higher quality, we reduced sheet counts so it [the roll] will still fit on the standard dispenser. Otherwise it would not fit," Sydney McHugh, a spokeswoman for P & G, tells MILITARY MARKET.

Several industry sources believe the market for generic and private label paper products has already hit its peak. "There was a flourish in generics, but no-frills seems to have topped out. It doesn't seem to be that important," Gene Kottuth, national sales manager for **Georgia Pacific Corp.,** says. "The values still lie in the national brands," he tells MILITARY MARKET.

McHugh concurs: "We view generics as a competitor in a very competitive marketplace. We, of course, use brand names. Lower price is not the sole determinant of value. It can be performance, appearance, esthetics. Quality [brand name] products are more important than cost to a majority of consumers."

Sales figures seem to bear this out. The industry giants in the t.p. trade, P & G and **Scott Paper Co.,** together have a total of 52 percent of the toilet tissue market.

Although some experts believe the public's penchant for value brands has reached its potential, this is obviously not the feeling in Cincinnati. P & G introduced Banner toilet tissue in June 1982 in North and South Carolina and parts of Georgia, and is positioning it as "a moderately priced toilet tissue that provides superior performance, but is designed to appeal to consumers who desire good performance but are unwilling to pay for the superior attributes of Charmin or White Cloud."

A similar scenario applies to P & G's Merit paper towel, which is "designed to appeal to consumers who desire good performance, but are unwilling to pay for the superior attributes of Bounty [paper towels]," McHugh says.

Adversary Ads

Comparative advertising is certainly not new to the airwaves and print, but the spate of ads leaning in this direction is at a new high. Marketers are stacking their brand name products against the generics and value brands to ensure that shoppers will realize "our product is a better buy than a bargain brand in a manner we hope will be understood by the consumer," McHugh says.

Other tactics are also being used to promote quality differences among branded products and what name-brand manufacturers con-

(Continued on page 43)

PAPER, WRAPS & BAGS

(Continued from page 41)

sider the category's less expensive interlopers. Scott is now promoting the Scott family of paper products as value products for families on a budget. These commercials feature the company's less expensive products, which provide the strongest competition for value and generic items.

Generics and value brands are making inroads in the last bastions of the brand name: exchanges and commissaries. According to Presto's Dobbratz, "Value brands in the military are becoming more important. There is more competitive pricing [in the marketplace], not only in plastics but in other areas as well. As long as shoppers in military stores get the quality, we'll get repeat sales. The military shopper is very much like the civilian shopper. That they want the best value is the bottom line."

The Navy Exchange brand plastic bags are Presto products. For Presto, the fastest growing products are tall kitchen garbage bags "because they allow people to take the trash right to the curb without using a large trash bag, which is eroding some of the sales of the larger bags," Dobbratz says.

Another growth category is resealable freezer bags. "We created the freezer bag market for a national brand," boasts Dow's Preuss. "Before Ziploc, the market [for freezer bags] was less than $5 million. It's $50 million today, and we have 86 percent of the market."

Despite Ziploc's relative expense in relation to other storage bags, Preuss says consumer price resistance is not apparent. In fact, among sandwich bags, "the only growing branded sandwich bag is Ziploc. The product is only four years old and already has a 24 percent share." Presto markets a resealable freezer bag, but with a different closure.

Thinner Is Better

While thick is preferable for paper products, thin is currently in in plastic trash bags. The new kid on the curb on trash pickup day is the one made of linear low-density polyethylene. LLD allows resin manufacturers to reduce energy consumption in making trash bags by as much as 75 percent. The process results in a bag with better puncture resistance. "The 1.5-mils thickness is the standard gauge for trash bags, and this can be reduced to as little as 1.2 mils with linear low density," Dobbratz says. Besides the advantage of increased strength, these bags cost less than the ordinary low-density polyethylene used in most trash bags. **Union Carbide's** LLD bag is Glad Sheer Strength, **Mobil's** is Hefty Steel Sack and Presto's is called XTRA Strength.

High-Fashion Design

If value brands and generics represent the low end of the market, paper napkins, plates and cups from greeting card manufacturers are at the other end of the scale. Industry leader **Hallmark Cards Inc.** continuously updates its patterns and colors to meet the changing demands of consumers. Currently, the trends are to "the very small, very tailored repeat patterns that look almost like wallpaper. Americana and country patterns are some of our most popular," spokeswoman Diane Wall tells MILITARY MARKET.

In terms of Christmas partyware, Wall says traditional patterns and colors are still preferred by its customers. Red and green are the colors most often purchased. Neither have the traditional symbols, such as Santa Claus, angels and snowmen, fallen out of fashion. "We just innovate the symbols with new designs," she says. Country has even found its way into holiday entertaining. Hickory Holly, a repeating pattern of tiny holly leaves "is so popular because it can be used early or late in the holiday season."

According to Hallmark, the shape of things to come in paper plates is scallop-edged or octagonal. "These give the hostess more flexibility. We're also offering more varied types of partyware, such as Oriental patterns, which are very elegant," Wall says.

For everyday use the direction is toward solid colors. Because they easily complement home decor, Wall says Williamsburg blue, dusty rose and Ming green are some of the fastest moving solids. Even video games are having an impact on the industry, as evidenced by Hallmark's new juvenile partyware.

American Greetings Corp. "is the largest supplier of greeting cards and allied products to the military," John Gorda, government sales manager, tells MILITARY MARKET. Holly Hobbie, Strawberry Shortcake and Ziggy are part of the company's stable of long-lasting characters. New this April will be the Care Bears.

It is still too soon to tell whether sales movement will be toward both the low and high ends, or whether the low-end generics and value brands will dominate the market. The only aspect of this industry on which experts agree is that, one way or the other, the vicissitudes of the economy will rule the shakeout. MM

COMMISSARY SALES OF PAPER, WRAPS AND BAGS

	DOMESTIC	OVERSEAS	WORLDWIDE
Lunch and sandwich bags			
Plastic	$1,984,000	$486,000	$2,470,000
Paper	1,268,000	311,000	1,579,000
All other size bags			
Plastic	11,894,000	2,915,000	14,809,000
Paper	286,000	70,000	356,000
Roasting bags and wraps	315,000	95,000	410,000
Plastic wrap	2,833,000	693,000	3,526,000
Wax paper	839,000	206,000	1,045,000
Freezer items	525,000	128,000	653,000
Facial tissue	12,159,000	2,993,000	15,152,000
Toilet tissue	26,333,000	6,453,000	32,786,000
Paper towels	21,402,000	5,244,000	26,646,000
Napkins	7,554,000	1,851,000	9,405,000
Paper table accessories	210,000	96,000	306,000
Paper plates and bowls	4,406,000	1,080,000	5,486,000
Cups, refills and plastic glasses	4,197,000	1,028,000	5,225,000
Aluminum foil	7,764,000	1,902,000	9,666,000
All other paper and wraps	943,000	157,000	1,100,000
Total	**$104,912,000**	**$25,708,000**	**$130,620,000**

SOURCE: Army Times Research Department. Data for CY 1981.

Military Market INDEX

COMMISSARIES

		NOVEMBER			YEAR-TO-DATE		
		CY'82	CY'81	%CHANGE	CY'82	CY'81	%CHANGE
AIR FORCE	CONUS	$136,247	$120,575	+13.00	$1,518,378	$1,423,915	+6.63
	OVERSEAS	27,129	24,848	+9.18	304,531	289,672	+5.13
	TOTAL	163,376	145,423	+12.35	1,822,909	1,713,587	+6.38
ARMY	CONUS	94,640	89,024	+6.31	1,105,104	1,046,184	+5.63
	OVERSEAS	26,832	27,976	-4.09	328,328	311,848	+5.28
	TOTAL	121,472	117,000	+3.82	1,433,432	1,358,032	+5.55
NAVY	CONUS	46,789	45,150	+3.63	559,298	534,934	+4.55
	OVERSEAS	5,544	5,469	+1.37	65,518	64,314	+1.87
	TOTAL	52,333	50,619	+3.39	624,816	599,248	+4.27
MARINES	CONUS	10,490	9,709	+8.04	119,455	114,255	+4.55
	OVERSEAS	176	149	+18.12	1,962	1,805	+8.70
	TOTAL	10,666	9,858	+8.20	121,417	116,060	+4.62
COAST GUARD	CONUS	216	210	+2.86	2,981	4,555	—*
	OVERSEAS	277	215	+28.84	2,154	2,304	-6.51
	TOTAL	493	425	+16.00	5,135	6,859	—*
ALL COMMISSARIES	CONUS	288,382	264,668	+8.96	3,305,216	3,123,843	+5.81
	OVERSEAS	59,958	58,657	+2.22	702,493	669,943	+4.86
	TOTAL	$348,340	$323,325	+7.74	$4,007,709	$3,793,786	+5.64
GROCERY STORES	U.S.[1]	$18.962 bil.	$18.093 bil.	+4.80	$209.493 bil.	$199.199 bil.	+5.17

EXCHANGES

		NOVEMBER			YEAR-TO-DATE		
		CY'82	CY'81	%CHANGE	CY'82	CY'81	%CHANGE
AAFES	CONUS	$245,669	$229,651	+6.97	$2,417,986	$2,202,408	+9.79
	OVERSEAS	161,454	151,378	+6.66	1,639,418	1,495,947	+9.59
	TOTAL	407,123	381,029	+6.85	4,057,404	3,698,355	+9.71
NAVY	CONUS[2]	98,255	94,377	+4.11	934,718	927,634	+0.76
	OVERSEAS[2]	35,916	36,199	-0.78	377,592	344,588	+9.58
	TOTAL[2]	134,171	130,576	+2.75	1,312,310	1,272,222	+3.15
MARINES	CONUS	30,829	28,998	+6.31	305,594	283,835	+7.67
	OVERSEAS	4,674	4,086	+14.39	50,284	43,070	+16.75
	TOTAL	35,503	33,084	+7.31	355,878	326,905	+8.86
COAST GUARD	CONUS[3]	6,764	5,704	+18.58	65,892	63,986	+2.98
	OVERSEAS[3]	754	636	+18.55	7,346	7,136	+2.94
	TOTAL[3]	7,518	6,340	+18.58	73,238	71,122	+2.98
MAIL ORDER	CONUS[4]	2,016	1,025	+96.68	12,160	8,306	+46.40
	OVERSEAS[4]	4,882	3,316	+47.23	41,741	33,437	+24.83
	TOTAL[4]	6,898	4,341	+58.90	53,901	41,743	+29.13
ALL EXCHANGES	CONUS	383,533	359,755	+6.61	3,736,350	3,486,169	+7.18
	OVERSEAS	207,680	195,615	+6.17	2,116,381	1,924,178	+9.99
	TOTAL	$591,213	$555,370	+6.45	$5,852,731	$5,410,347	+8.18
DEPARTMENT STORES	U.S.[1]	$10.906 bil.	$10.273 bil.	+6.16	$91.427 bil.	$87.515 bil.	+4.47

1) SOURCE: U.S. Department of Commerce 2) Does not include sales of ships stores. **3) MM estimate, based on official data.**
4) Includes consolidated sales for all services, including Coast Guard

***Not comparable because of Sept.** 1, 1981, conversion of commissary at Petaluma to **NAF** status

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), **except for grocery stores and department stores, which are in billions.** Commissary sales include appropriate **surcharges, and exchange sales include concession volume.**

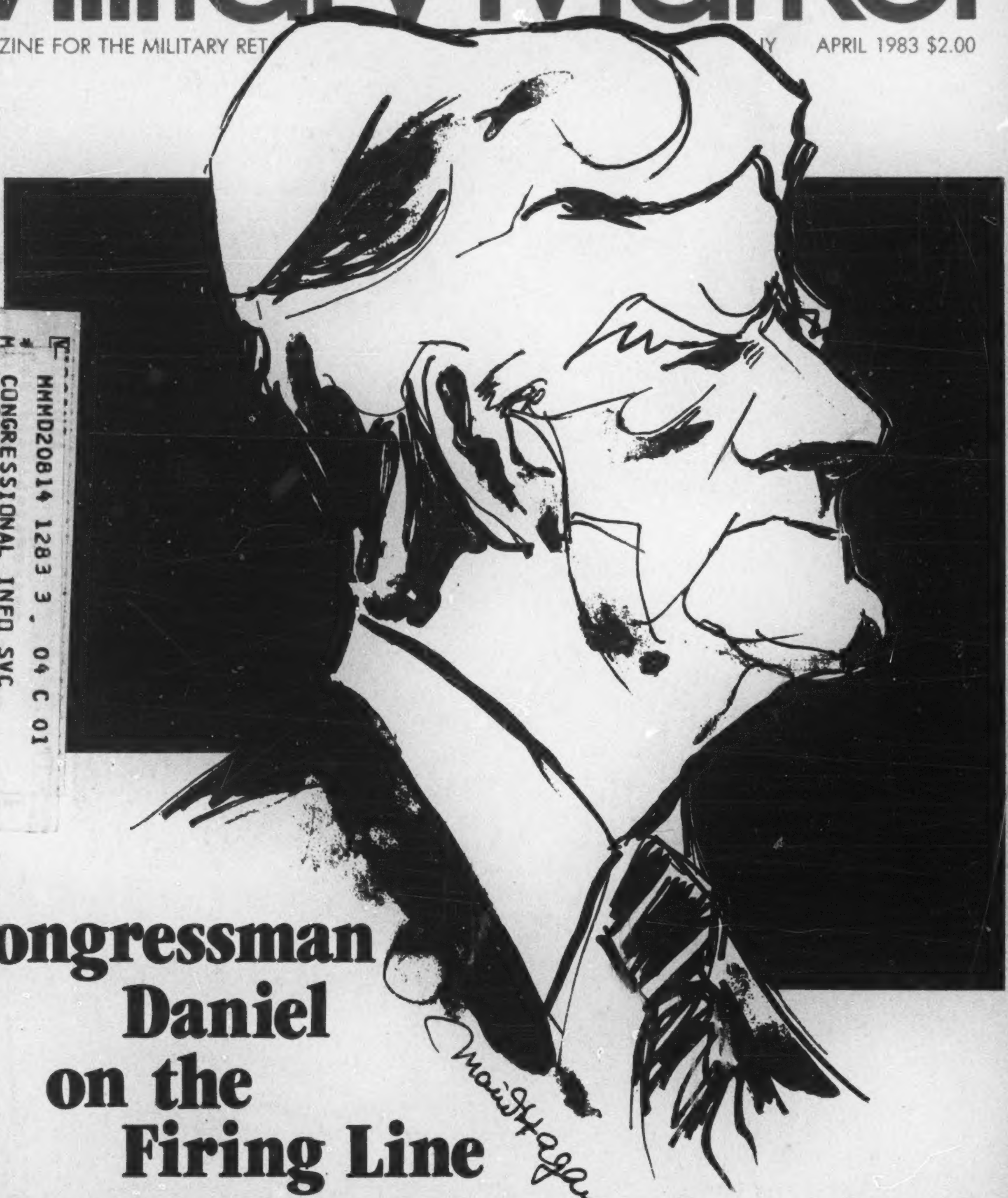
BEST AVAILABLE COPY

C0500-1 4/11/83

Third Annual Milrep Report

Military Market

MAGAZINE FOR THE MILITARY RET NY APRIL 1983 $2.00



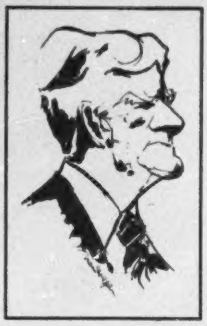
**MMMD20814 1283 3. 04 C 01
CONGRESSIONAL INFO SVC
JOSEPH MCNALLY
4520 E-W HWY/#800
BETHESDA MD 20814**

Congressman Daniel on the Firing Line

Military Market MAGAZINE FOR THE MILITARY RETAIL SYSTEM APRIL 1983
ARMY TIMES PUBLISHING COMPANY VOLUME 34, NO. 4

CONTENTS

FEATURES



Page 18

Page 22

Page 48

BITS & PIECES
Time to prepare for May promotions.
Page 12

TELEPHONE SURVEY: MILITARY SALES REPS
Do they earn their keep?
Page 17

COVER STORY: ON THE FIRING LINE
The systems' friend on the Hill — Rep. Dan Daniel.
Page 18

SYSTEM OF THE MONTH: TSA
The system takes mobile training teams to Germany.
Page 22

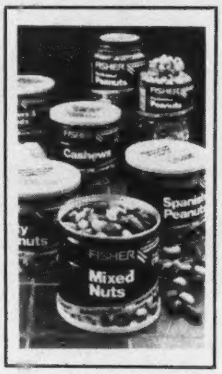
THIRD ANNUAL MILREP REPORT
The business faces the challenge of the computer age as it moves into automation. Also: the cost of making a sales call. On page 36, the Milrep Directory contains more information than ever.
Page 25

SPICES AND CONDIMENTS
Many manufacturers are in a pickle over dwindling sales.
Page 42

TOYS
The struggling industry turns to licensees to boost buying.
Page 48

SNACK FOODS
There's no crunch in this $5 billion-a-year industry.
Page 54

Page 42



Page 54

About the cover . . .
Drawing by free-lance artist Maud Hagan, age 71; design by Garnett Sullivan.

DEPARTMENTS

Editorial Comment 4
Supplier Notes 60
Calendar 63
News 9
NEW PRODUCTS 46
[illegible] comix 63
OPINION 14
Military Market INDEX 62
Ad INDEX 64

Military Market is published 12 times a year by the Army Times Publishing Co., 475 School St. S.W., Washington, DC 20024. Single copies, $2, except January Buyers Guide and July Almanac and Directory issues, $5 each. Yearly subscriptions within the U.S., $20; to civilian addresses outside the U.S., $25. Second class postage paid at Hanover, N.H. Postmaster: Send form 3579 to Military Market, 475 School St. S.W., Washington, DC 20024.

The material in this publication is copyrighted and may not be reproduced in whole or part without written permission of the publisher.

For a complete list of Army Times Publishing Co. offices, see back page.

PRESIDENT
William F. Donnelly
EXECUTIVE VICE PRESIDENT
Henry L. Belber
VICE PRESIDENTS
Donald J. Garyantes, Production; Thomas B. Moore, Circulation; Robert E. Schweitz, Editorial; Joseph G. Varga, Advertising

EDITOR
Nancy Tucker
MANAGING EDITOR
Guy Lamolinara
ASSOCIATE EDITORS
David B. Cooley, Susanne D. Williams
EDITORIAL ASSISTANT
Karla G. Williams
ATPUBCO NEWS SERVICE
Bruce Covill, Chief; Allen E. Carrier, Martha Craver, Tom Philpott, Paul Smith
ART DIRECTOR
Jack Auldridge
ART CONSULTANT
Garnett Sullivan
STAFF PHOTOGRAPHERS
Joe Matera, Kate Patterson
ADVERTISING MANAGER
Vincent Santoro
CIRCULATION
S.C. Parojinog
ADVERTISING PRODUCTION
Phyllis King
EXECUTIVE OFFICES
475 School St. S.W., Washington, DC 20024, (202) 554-7180

BPA

COPYRIGHT ARMY TIMES PUBLISHING CO. 1983, ARMY TIMES PUBLISHING CO. — TRADE DIVISION, MILITARY MARKET (COMEX), (USPS 911-580)

BEST AVAILABLE COPY

Americans Go for Spicier Foods

Growth in spice usage continues as Americans add more flavor to their food.

By DAVID B. COOLEY
Associate Editor

SPICES AND CONDIMENTS are experiencing consistent sales increases at a time when many other sales curves are flat.

"When times are hard, the spice business is good," says Thomas F. Burns, executive vice president of the American Spice Trade Association. "Even with high unemployment, people are spending money for nice or good things," such as spices, to add flavor to their food.

Imports of spices were greater in 1982 than in 1981 — and spice consumption in the United States reached more than a half billion pounds for the first time in 1981. Increasing spice consumption is a trend that has been ongoing for many years.

To Salt or Not to Salt

Salt (sodium chloride) is a mineral rather than a plant, so it is not properly considered a spice. It is usually discussed as a spice because many spice blends contain salt and that makes for many variations.

The sales of low-sodium and no-sodium "salts" of potassium chloride have steadily increased during recent years as increasing numbers of Americans have become aware of the potential health hazards of dietary sodium, Burns says.

Dr. Rudy Bernard, a sensory perceptionist at the Department of Physiology at Michigan State University, says, "Many people seem to have an appetite for salt, just as having a sweet tooth is an appetite for sugar. New research is attempting to illuminate the relationship between the need for salt and the taste for salt."

According to research done at **Hunt-Wesson Foods Inc.**, it is more important to reduce or eliminate the salt used in cooking rather than the salt that is added at the table. Toni Trinchese, director of consumer services at Hunt-Wesson says, "Salt added at the table sits on top of the food, so the salt hits your taste buds first and has a more pronounced flavor. When salt is added when cooking, it's mixed with other flavors and seasonings, so it's less obvious to the taste."

Hunt-Wesson recently introduced a line of no-salt-added tomato products, including tomato paste, sauce, ketchup and juice, whole peeled and stewed tomatoes and spaghetti sauce. Hunt-Wesson is promoting a nine-week plan for gradually eliminating the salt in home cooking, so that it is not readily detected by the taste buds. In the course of this plan to kick the salt habit, salt is replaced by spices, herbs, and other low-sodium ingredients, including tomatoes and tomato products, lemon and other citrus peels, vinegar and wine to maintain and enhance flavors.

McCormick & Co. Inc., the dominant spice producer in the United States, is continually developing spice blends for increasing the palatability of food for people on sodium-restricted diets, according to a company spokesman.

Foreign Foods Become Domestic

Many foods Americans regularly eat used to be thought of as different or special. "Italian food is no longer considered ethnic — it's as American as turkey," Burns says. He adds that American opinion is much the same when considering Mexican or Oriental foods. They have all been Americanized and expected in the American diet.

Burns tells MILITARY MARKET that in a recent Gallup poll teenagers were asked to express their food preferences. Pizza, with its oregano and basil, was named by 40 percent of them as their favorite food. Steak was chosen as the favorite by 19 percent. Hamburger drew only 10 percent of the first-place votes, and the former front-running all-American food — hot dogs — fell further down the list.

Even dishes that are very much American are taking on a spicier

(Continued on page 44)

Spices

(Continued from page 42)

twist. "How many things can you do with hamburger or chicken?" asks Burns. "Variations in the preparation of these American staples require the use of spices and condiments to make them more appetizing and appealing."

He says not only are dried and packaged spices in everyday use by Americans, but products such as fresh ginger (which formerly was available only in Oriental food shops) are now available in supermarkets everywhere.

"There's an explosion of activity and interest in Mexican food — taco shells, taco kits and sauces," says Frank Mcguinn, national sales manager for retail and military food sales at **Heublein Inc.** "Mexican foods are becoming mainstream in the American diet, with the possible exception of the Northeast." He says there will be TV promotions, VPRs, coupons and deep allowances from time to time to encourage consumer purchasing.

Kaz Takei, vice president for military sales at **Kikkoman Foods Inc.**, tells MILITARY MARKET, "It was difficult last year [in 1982], but interest in Oriental food products is up. That can be seen in the growth in Oriental restaurants and sushi bars. They have created an awareness for our products."

Kikkoman is actively seeking the commissary customers, who Takei says are well-traveled outside the United States and more adventuresome in their eating habits. As a result, Kikkoman sales to the military resale systems continue to increase. "In fact," says Takei, "our sales percentage to commissaries is greater than other companies [with similar products]."

Kikkoman's soy sauce — "shoyu" in the original Japanese — has been available for 350 years. Takei says the company has recently responded to wide interest in lowering dietary sodium intake with a milder soy sauce that has one-half the sodium of regular soy sauce. The taste is not really milder, but tastes sweeter because of the lower salt content — and he emphasizes that nothing else is added. "Now the consumer has a choice of regular or milder," he says.

Kikkoman, like other oriental food seasoning producers, is promoting soy and teriyaki sauces as seasonings for other than Oriental foods. "In Japan," he says, "teriyaki sauce is used for fish only, but the Americans use it for barbecue, chicken, fish, steak, crab and other dishes."

The company has produced recipe materials encouraging customers to use both sauces for various types of entrees. In addition, Kikkoman has found that many consumers like to experiment with teriyaki and soy sauce on their own. As examples, he says he knows of people using the milder teriyaki sauce and lemon with crab, and soy sauce and mayonnaise with artichokes.

Charlene Kirchheimer, public relations specialist for **LaChoy**, tells MILITARY MARKET Oriental foods are continuing to rise in popularity.

During 1983 the **R.T. French Co.** will be installing merchandise headers over its spice and extract displays containing recipes that call for its products. Jerry Stremick, sales coordinator at French, says getting customers to buy more spices is an educational process. "People tend to use the same spices their parents used unless they learn otherwise. Some spices may be too exotic for them to try."

French's headers will contain recipes with uses for whole cloves and food coloring at Easter, cookout spices in the spring and summer, pickling spices during the canning season and poultry seasoning, sage and cinnamon at Thanksgiving and Christmas. French also has two booklets available by mail — one contains recipes and the other is a how-to book on canning.

SPECIAL PACKAGING

THE PACKAGE or container for spices is of necessity a specialty package. For many spice products, the package must have a combination sifter and dredge opening for the convenience of the user. The sifter function is used to sprinkle a small amount of seasoning on food at the table. The dredge opening allows the entry of a spoon for quantity use during food preparation. The package must also be as resealable (airtight) as possible so that the flavor is protected from air and moisture. Making a suitable container is expensive. In some cases, the cost of manufacturing the container is more than the cost of the product inside.

To increase sales, and to make spices more economical, the manufacturers of pure and blended spices are putting the faster-moving items in larger packages. A "larger package" for most spices usually means in the four- to eight-ounce range. Any larger than that, and the single package price becomes undesirably high and the flavor may become stale before it can be used. Ground oregano, for instance, is very light and a small quantity is sufficient for a rich flavor. Marshall Neale, a spokesman for the American Spice Trade Association, tells MILITARY MARKET, "Four ounces would be a lot of oregano."

Notwithstanding, McCormick & Co. and **Durkee Famous Foods** are packaging some of their best-selling spices in even larger polystyrene containers. The expectation is that the economy of size will attract commercial purchasers and others who routinely use larger quantities — those who would run out too often with the standard consumer sizes. — D.B.C.

COMMISSARY SALES OF SPICES AND CONDIMENTS

	DOMESTIC	OVERSEAS	WORLDWIDE
Spaghetti sauce mix/seasonings	$617,400	$136,200	$753,600
Chili mix/seasonings	545,000	120,200	665,200
Gravy mix	1,277,300	281,900	1,559,200
Other dry mixes/seasoning	1,818,100	401,100	2,219,200
Mustard	2,163,800	477,400	2,641,200
Ketchup	8,376,000	1,848,000	10,224,000
Spaghetti sauce	8,725,000	1,925,000	10,650,000
Meat sauce	4,606,800	1,016,400	5,623,200
Prepared gravy and gravy flavoring	1,430,900	315,700	1,746,600
All other sauces	5,339,700	1,178,100	6,517,800
Extracts and food coloring	1,989,500	448,500	2,438,000
Pepper	2,335,500	526,500	2,862,000
Whole and ground spices	2,698,800	608,400	3,307,200
Leaf spices and herbs	1,176,400	265,200	1,441,600
Vegetable seasoning	2,871,800	647,400	3,519,200
Table and other salt	1,660,800	374,400	2,035,200
Other seasonings and flavors	4,567,200	1,029,600	5,596,800
Pickles	6,880,800	1,500,600	8,381,400
Pickle specialties and relishes	3,196,000	697,000	3,893,000
Olives	6,410,800	1,398,100	7,808,900
Total	**$68,687,600**	**$15,195,700**	**$83,883,300**

SOURCE: Army Times Research Department. Data for CY 1981.

Pickles — Impulse Sales

Jerry Shupak, MSM at **Vlasic Foods Inc.**, says, "Pickles are holding their own in today's economy, but there are no assurances that the category has grown." He tells MILITARY MARKET 30 of the 150 Vlasic line items account for approximately 80 percent of the company's gross dollar sales. And of those top 30, approximately five varieties in several sizes account for a third of all sales. Kosher spears, dills, and baby dills, butter chips and sweet pickles are among the most popular flavors nationwide — some regional differences can be expected.

He says customers buy one-third of all pickles on impulse — and the commissary shopper is just as much an impulse shopper as those in the civilian sector. The manager (civilian or military) who recognizes that fact will rotate his merchandise to put pickles in off-shelf displays to capture the impulse dollar. "The secret to that success," Shupak says, "is to keep the best sellers up front where the shopper will see them."

Although total unit sales in pickles are about the same as they were some five years ago, there has been change in the product mix. The refrigerated (perishable) pickles have grown from about two percent of Vlasic's business to roughly 15 percent. The bulk of the nonperishable pickle business is composed of the same five to 10 line items now as it was 10 years ago, even though sales for the nonperishables decreased from 98 percent to 85 percent of the total market.

The average commissary carries between 35 and 50 line items of pickles. Most large civilian supermarkets carry more, Shupak says. As important as promotions have become to the commissary customer, coupons from Vlasic have never been labeled "military only." Shupak believes all shoppers should have the choice to use the coupons in civilian or military stores. He quickly added, however, that most military shoppers will take advantage of the price breaks buying at the commissary allows.

Claussen Pickles Co., a division of **Oscar Mayer & Co.** takes pride in being the largest manufacturer of refrigerated pickles. "We dominate the market in refrigerated pickles." says Henry Mueller, general manager of military sales at Claussen.

By definition, these pickles must be kept refrigerated even though their packaging looks the same. What is the difference? The refrigerated pickles are not pasteurized or cooked — and that gives them a fresher, crisper texture many consumers desire, according to Mueller. "They look first for the crispness, then the flavor. It's the only segment of the pickle market that has grown in the last five years," he says.

Growth Contines

With steadily increasing spice imports and spice consumption in the United States, it should be no surprise that Americans use more spices and seasonings than anyone else in the world. The annual per capita food consumption in the United States is 1440 pounds. The annual per capita spice consumption is 32 ounces, which includes the blends of spices with salt. Even though the average sale of most spices is measured in ounces — or in some cases, just a fraction of an ounce — the overall spice market is measured in tonnage. "A one-ounce annual increase in per capita spice use would increase annual U.S. spice consumption by 6000 tons of merchandise," Burns says.

Allowing for some regional variations, ASTA reports the highest volume spices are black pepper, dried onion and garlic products (with and without salt), cinnamon, chili powder, mustard, parsley flakes, paprika, oregano, celery seed and salt, cloves, nutmeg, red pepper products and barbecue spices (in that order). In addition to the barbecue spices, numerous blends of spices have become popular, such as poultry seasoning, Italian seasoning, pumpkin pie spice and pickling spice.

ASTA reports some of the leading gainers from 1971-1981 were: basil, up 460 percent; fennel seed, up 150 percent; anise and allspice, each up about 110 percent; cumin, up 102 percent; sesame seed, up 84 percent; and oregano, up 75 percent.

MM

Snack foods top $5 billion

Forward, Munch!

Despite a recessionary crunch, snack food sales continue to show the crisp growth that has been the hallmark of the category for the last decade.

By DAVID B. COOLEY
Associate Editor

MANY MARKETERS voiced open concern that 1981 might be the year in which snack foods would reverse the trend of doing well in a recessionary period. However, snack foods came through in good health, recording overall industry growth of 16 percent in dollar sales and a unit increase of 6.2 percent, according to Joe Morris, editor of *Chipper/Snacker*, a publication of the Potato Chip/Snack Foods Association. The 16 percent increase is on top of a 19 percent increase recorded in 1980. The 1980 total of salted snacks sales was $4.5 billion. Total sales for 1981 were $5.255 billion.

Predictions for industry performance continue to be optimistic. However, Morris tells MILITARY MARKET that actual sales for 1982 may have fallen somewhat behind predictions. These figures will not be available until mid-1983. (See chart on page 55 for original predictions.)

In a study underwritten by E.I. du Pont de Nemours & Co., the research firm of McKinsey & Co. reported the following concerning snack sales in 1978: "Snack consumption is elastic . . . unlike paper products, soaps, cosmetics, light bulbs and many other items with a relatively stable usage rate, snack consumption is based on availablility. They are eaten soon after purchase and your customer is back in the store buying more snacks." Morris says the statement is as true today as when it was first published. He added that in a market in which 80 percent of the purchases are on impulse, merchandising techniques have great importance. "The package is very important," he says.

Chipper/Snacker also reports that supermarkets (chains and independents) are the dominant outlets for snack foods, having increased their share slightly from 58.6 percent of dollar sales in 1980 to 61.4 percent 1981. Convenience stores account for another 9.4 percent, leaving all other outlets with less than 30 percent.

The PCSFA survey revealed that the largest percentage of snack food dollar sales (27.2 percent) is in the 8- to 11-ounce sizes, followed closely by sales in the 1-2 ounce, 12-15 ounce, 16 ounce, and 5-7 ounce sizes, each of which accounts for more than 12 percent of the total. Though the 1-2 ounce size accounts for a little more than 12 percent of sales dollars, it accounts for some 19 percent of unit sales.

Despite the overall good market performance, snack food industry leaders say the industry is under extreme pressure to find ways to insure its continued success in the face of three problems:

- the sluggish economy, with its accompanying high interest rates, high unemployment and possible lack of demand for snacks;
- nationwide concern about dietary sodium intake and the sodium levels of most snack foods, including governmental demands for sodium and nutritional labeling;
- difficulties revolving around strategies to ensure freshness.

At February's Snaxpo (the Potato Chip/Snack Food Association's 1983 convention in Washington, D.C.), John Gibbons, of Griffith Laboratories, a seasonings manufacturer, said, "It's a fallacy about snack food. The quantity of salt on chips is comparable to most food items. It's just that it's on the whole surface [of snack foods] instead of inside the food."

Strategies suggested at the convention varied as to how to keep customers coming back for more snack food items. While one company, **Adams International,** was stressing new snack food shapes as the way to keep customer interest, other industry experts felt that nacho cheese and tortilla chips are still hot selling items. "We're still peaking with Mexican flavorings," Gibbons said.

According to the PCSFA survey of manufacturers, approximately 25 percent of all potato and corn chips are flavored — an increase of about 10 percent from 1980. The most popular flavor is barbecue. Every chip manufacturer responding to the survey makes a barbecue-flavored chip, and 80 percent say it is their best-selling flavored chip. Other flavors mentioned by the manufacturers were salt and vinegar, crab seasoning, green onion, red-hot mix, sour cream, nacho cheese, cheddar cheese and onion with garlic.

FISHER Peanuts
FISHER Peanuts
Cashews & Almonds
Cashews
Spanish Peanuts
FISHER Party Peanuts
Mixed Nuts
Fancy Roasted Peanuts

FISHER'S reduced sodium (LEFT) and unsalted (RIGHT) lines of snacking nuts are appealing to an expanding segment of the market.

Frito-Lay Inc., the undisputed leader in snack foods in the United States, maintains a positive posture in decrying the junk food image that has plagued the industry for so long. The company is stressing the nutritional aspect of its products. "Our products are part of good nutrition," says John Patrick, MSM.

As is most everyone in the industry, Patrick is defensive about the salt used on Frito-Lay foods. "It's the salt on the outside that you taste first," he says.

Frito-Lay has published figures showing that one ounce of Lay's potato chips has less sodium than ½ cup of cottage cheese, two slices of bread or an 8-ounce glass of tomato juice. And the company claims an even lower salt content in its corn chips, Doritos and Tostitos.

To keep the commissary customer interested in buying its snack foods, Frito-Lay will continue its Total Snack Food Program for domestic commissaries. The basic concept of the program is for each commissary to allocate space for snack foods based on total store dollar volume.

Couponing in newspapers and magazines will be continued. And as part of an ongoing program to educate the public on the nutritional aspects of corn chips, tortilla chips and potato chips, Frito-Lay is including the nutritional information on each package of its products.

New products at Frito-Lay include Frito Lights and Crispy Lights, both of which hold considerable promise, according to Patrick. It is also test-marketing Ta-Tos, an extra crispy, ridged potato chip, which "We believe has enormous potential." He says the Ta-Tos are made of 100 percent real potato with a substantial part of the water removed by a company process.

Patrick says Frito-Lay has had an average 17 percent gain in dollar sales per year for the last 10 years. "We've multiplied our sales five times and our profit ten times. Doritos is Frito-Lay's best selling product."

Nuts - Low Sodium and Unsalted

Nuts are a high impulse item, with 57 percent of nut purchases being totally unplanned by the purchaser, according to a Point of Purchase Advertising Institute/DuPont buying-habits study reported in *Chain Store Age — Supermarkets*. The merchandising efforts can thus be expected to influence the shopper to a great extent, the report said.

The **Fisher Nut Co.** has recently

(Continued on page 56)

SNACK UNIT SALES IN SELECTED CHANNELS

Supermarket chains	41.7%
Independent supermarkets	19.7%
Restaurants/bars	11.1%
Convenience stores	9.4%
Vending machines	3.8%
Schools	3.2%
Drug stores	2.5%
Discount stores	1.1%
Other	7.5%
Total	**100.0%**

SOURCE: *Chipper/Snacker* magazine. Data for CY 1981.

COMMISSARY SALES OF SNACK FOODS

	WORLDWIDE	DOMESTIC	OVERSEAS
NUTS			
Peanuts	$5,200,000	$4,300,000	$900,000
Walnuts	4,400,000	3,700,000	700,000
Mixed nuts	3,300,000	2,800,000	500,000
Pecans	2,600,000	2,100,000	500,000
Cashews	1,900,000	1,600,000	300,000
Almonds	1,200,000	900,000	300,000
All others	2,400,000	2,100,000	300,000
Total	**$21,000,000**	**$17,500,000**	**$3,500,000**
SALTED SNACKS			
Potato chips, corn-tortilla chips, pretzels	$35,700,000	$29,400,000	$6,300,000
Other snacks	3,300,000	2,700,000	600,000
Total	**$39,000,000**	**$32,100,000**	**$6,900,000**

SOURCE: Army Times Research Department. Data for CY 1981.

BEST AVAILABLE COPY

Forward, Munch!

(Continued from page 55)

expanded its line of reduced sodium nuts to include Spanish peanuts, cashews, mixed nuts with peanuts, dry roasted peanuts, party peanuts and cashew and almond mix. Kathleen Ellis, marketing administrator at Fisher, says the latter is a combination of the two most popular tree nut varieties. The reduced-sodium items contain half the usual amount of added salt.

Ellis says, "To date, sales of Fisher's reduced sodium nuts are ahead of expectations." And she emphasized that it is almost all new business. "There has been no cannibalizing of the sales of the regular salted or the no-salt-added nuts. People don't want to give up the sodium, so we've hit the middle ground." She adds that since the low sodium line is new this year, there is no basis for comparing it with last year.

Orlin Vandeventer, MSM at Fisher tells MILITARY MARKET, "We're always going to have clientele looking for salted nuts, but the reduced-sodium and unsalted varieties are selling well. We're on the right track." He says customers of all ages are buying the reduced-sodium nuts.

Planters Peanuts Public Relations Specialist Caroline Fee says, "The trend toward unsalted snacks is an increasing field because people are becoming more health conscious. Dry-roasted and unsalted nuts are becoming a more viable subsegment of the nut market." She says Planters is currently marketing dry-roasted mixed nuts and peanuts and oil-roasted cocktail peanuts that are all unsalted.

Fee says cashews have returned to popularity since the price for them has stabilized and lowered. "There is a definite interest in holiday-type packs, such as the Planters' limited edition jars and canisters," she says. "The canister snacks [corn chips pretzels and corn balls] are enjoying increased popularity."

Popcorn - New Flavors

Bill Blodgett, public relations director at **Hunt-Wesson Foods Inc.** tells MILITARY MARKET that popcorn is still an American favorite, and that most of the popcorn consumed is in the home. He says sales of Hunt-Wesson's Orville Redenbacher popcorn and oils to the military customer have outpaced company sales in the civilian market. "Military families tend to do a lot of entertaining in the home, especially when they are in remote areas overseas, and serving popcorn on these occasions is a natural."

He says Agriculturist Orville Redenbacher developed the hybrid popping corn through years of experimentation. "Because it is a hybrid, there are fewer bushels per acre, making it more expensive," says Blodgett.

To improve the taste even more, Hunt-Wesson is packaging the popcorn in vacuum-sealed jars. "The vacuum packing virtually eliminates the air in the jar; therefore, mold can't grow in the oxygen-free environment," he says. "It is also positive proof that the popcorn is fresh and the jar is tamper-evident."

Fred Holden, brand manager of TV Time popcorn at **McCormick Foods** tells MILITARY MARKET McCormick is excited about its line extension in TV Time popcorn — Pop 'N Top. The additions are four cheese products that allow the customer to pop and make cheese-flavored popcorn at home. The method is simple. The package contains, popcorn, salt, oil flavoring and a package of dry cheese mix, which is dissolved in warm water and poured over the popcorn. "It's all in one box," Holden says.

TV time
POP'N TOP
Popping Corn & Parmesan Cheese
Popping Corn & Cheese Topping
Popping Corn & Sour Cream · Onion
Popping Corn & Nacho Cheese Topping

POP 'N TOP popping corn from TV Time Foods Inc. offers cheese popcorn lovers four different flavors to make at home. *(Photo by Kate Patterson)*

Holden tells MILITARY MARKET McCormick has been doing extensive testing with salt substitutes and is trying to develop a low-sodium seasoning. He says the problem with most of the other compounds is that "You get the full impact of the metallic flavor of potassium or magnesium when using the traditional salt substitutes. We're watching it very carefully [to find a suitable substitute]."

To assist the commissary purchaser, McCormick plans to continue the use of periodic VPR's. They will apply to all McCormick products, including TV Time popcorn.

Holden says the inviting aroma of freshly popped popcorn tends to invite other members of the household to join in. "You can't sneak popcorn," he says.

MM

Military Market INDEX

COMMISSARIES

		DECEMBER			YEAR-TO-DATE		
		CY'82	CY'81	%CHANGE	CY'82	CY'81	%CHANGE
AIR FORCE	CONUS	$161,319	$145,126	+11.16	$1,679,697	$1,573,041	+6.78
	OVERSEAS	33,171	30,845	+7.54	337,701	320,518	+5.36
	TOTAL	194,490	175,971	+10.52	2,017,398	1,893,559	+6.54
ARMY	CONUS	100,776	109,408	-7.89	1,205,880	1,115,592	+4.35
	OVERSEAS	31,408	34,112	-7.93	359,736	345,960	+3.98
	TOTAL	132,184	143,520	-7.90	1,565,616	1,501,552	+4.27
NAVY	CONUS	63,285	56,668	+11.68	622,583	591,602	+5.24
	OVERSEAS	7,321	7,147	+2.43	72,840	71,462	+1.93
	TOTAL	70,606	63,815	+10.64	695,423	663,064	+4.88
MARINES	CONUS	12,709	12,137	+4.71	132,164	126,391	+4.57
	OVERSEAS	236	213	+10.80	2,198	2,019	+8.87
	TOTAL	12,945	12,350	+4.82	134,362	128,410	+4.64
COAST GUARD	CONUS	252	332	-24.10	3,233	4,886	—*
	OVERSEAS	246	209	+17.70	2,400	2,513	-4.50
	TOTAL	498	541	-7.95	5,633	7,399	—*
ALL COMMISSARIES	CONUS	338,341	323,671	+4.53	3,643,557	3,451,512	+5.56
	OVERSEAS	72,382	72,526	-0.20	774,875	742,472	+4.36
	TOTAL	$410,723	$396,197	3.67	$4,418,432	$4,193,984	+5.35
GROCERY STORES	U.S.	$21.447 bil.	$20.125 bil.	+6.57	$230.914 bil.	$219.324 bil.	+5.28

EXCHANGES

		DECEMBER			YEAR-TO-DATE		
		CY'82	CY'81	%CHANGE	CY'82	CY'81	%CHANGE
AAFES	CONUS	$307,986	$292,164	+5.42	$2,725,972	$2,494,572	+9.28
	OVERSEAS	187,226	173,005	+8.22	1,826,644	1,668,952	+9.45
	TOTAL	495,212	465,169	+6.46	4,552,616	4,163,524	+9.35
NAVY	CONUS	115,371	125,421	-8.01	1,050,090	1,053,056	-0.28
	OVERSEAS	44,265	46,139	-4.06	421,857	390,727	+7.97
	TOTAL	159,636	171,560	-6.95	1,471,947	1,443,783	+1.95
MARINES	CONUS	34,986	35,250	-0.75	340,580	319,085	+6.74
	OVERSEAS	5,900	5,259	+12.19	56,184	48,329	+16.25
	TOTAL	40,886	40,509	+0.93	396,764	367,414	+7.99
COAST GUARD	CONUS	8,409	6,776	+24.10	74,302	70,762	+5.00
	OVERSEAS	938	755	+24.24	8,283	7,891	+4.97
	TOTAL	9,347	7,531	+24.11	82,585	78,653	+5.00
MAIL ORDER	CONUS	1,983	972	+104.01	14,143	9,278	+52.44
	OVERSEAS	5,282	4,136	+27.71	47,023	37,572	+25.15
	TOTAL	7,265	5,108	+42.23	61,166	46,850	+30.56
ALL EXCHANGES	CONUS	468,735	460,583	+1.77	4,205,087	3,946,753	+6.55
	OVERSEAS	243,611	229,294	+6.24	2,359,991	2,153,471	+9.59
	TOTAL	$712,346	$689,877	+3.26	$6,565,078	$6,100,224	+7.62
DEPARTMENT STORES	U.S.	$17.349 bil.	$16.094 bil.	+7.80	$108.752 bil.	$103.609 bil.	+4.96

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

*Not comparable because of Sept. 1, 1981, conversion of commissary at Petaluma to NAF status.

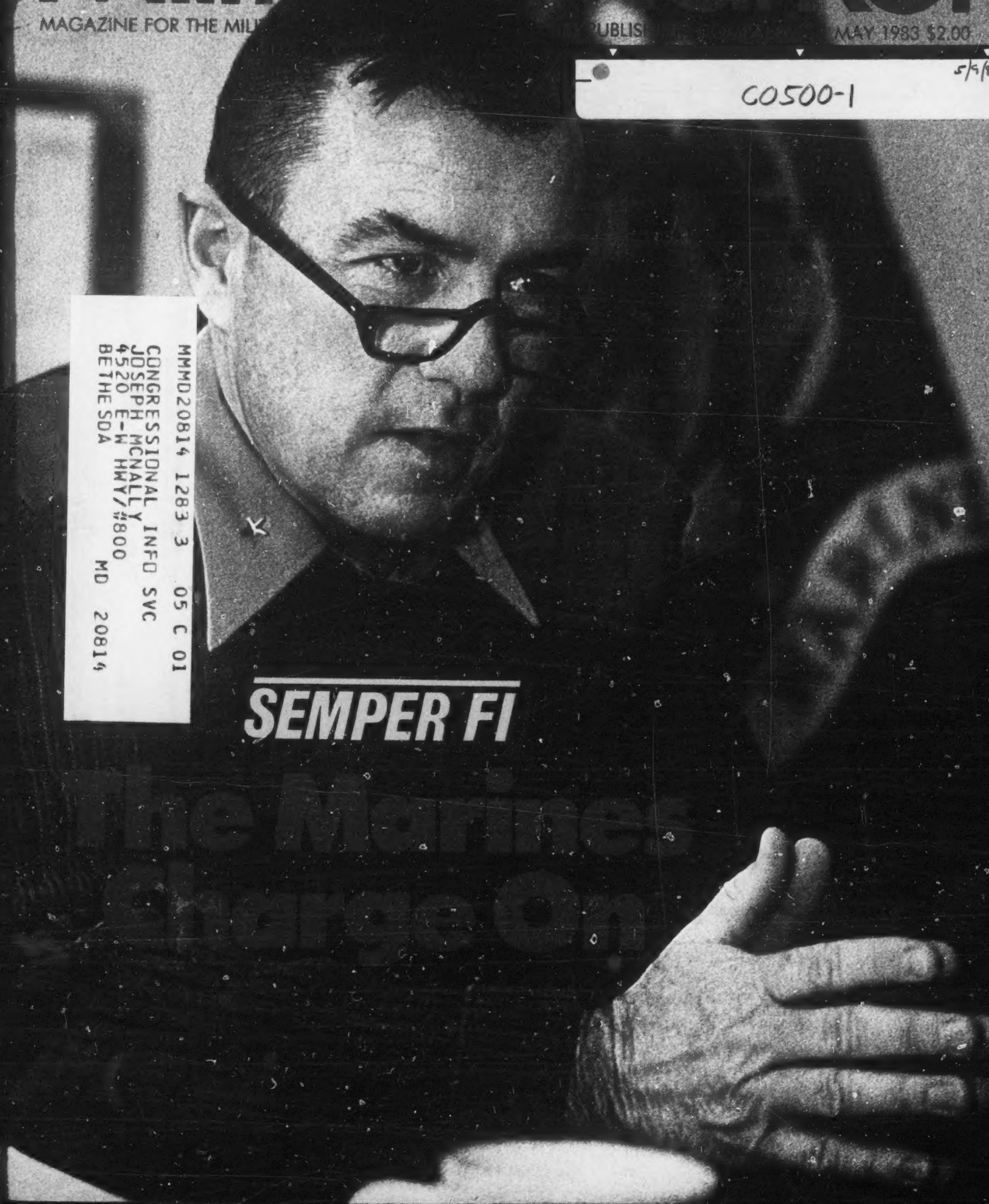
Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

BEST AVAILABLE COPY

Military Market

MAGAZINE FOR THE MILI PUBLIS MAY 1983 $2.00

CO500-1 5/9/



MMMD20814 1283 3 05 C 01
CONGRESSIONAL INFO SVC
JOSEPH MCNALLY
4520 E-W HWY/#800
BETHESDA MD 20814

SEMPER FI

The Marines Charge On

Military Market — MAGAZINE FOR THE MILITARY RETAIL SYSTEM — MAY 1983
ARMY TIMES PUBLISHING COMPANY — VOLUME 34, NO. 5

CONTENTS

Military Market is published 12 times a year by the Army Times Publishing Co., 475 School St. S.W., Washington, DC 20024. Single copies, $2, except January Buyers Guide and July Almanac and Directory issues, $5 each. Yearly subscriptions within the U.S., $20; to civilian addresses outside the U.S., $25. Second class postage paid at Washington, DC and additional mailing offices. Postmaster: Send address correction to Military Market, 475 School St. S.W., Washington, DC 20024.

The material in this publication is copyrighted and may not be reproduced in whole or part without written permission of the publisher.

For a complete list of Army Times Publishing Co. offices, see back page.

PRESIDENT
William F. Donnelly
EXECUTIVE VICE PRESIDENT
Henry L. Belber
VICE PRESIDENTS
Donald J. Garyantes, Production; Thomas B. Moore, Circulation; Robert E. Schweitz, Editorial; Joseph G. Varga, Advertising

EDITOR
Nancy Tucker
MANAGING EDITOR
Guy Lamolinara
ASSOCIATE EDITORS
Jay Blucher, David B. Cooley
EDITORIAL ASSISTANT
Karla G. Williams
ATPUBCO NEWS SERVICE
Bruce Covill, Chief; Allen E. Carrier, Martha Craver, Tom Philpott, Paul Smith
ART DIRECTOR
Jack Auldridge
ART CONSULTANT
Garnett Sullivan
STAFF PHOTOGRAPHERS
Joe Matera, Kate Patterson
ADVERTISING MANAGER
Vincent Santoro
CIRCULATION
S.C. Parojinog
ADVERTISING PRODUCTION
Phyllis King
EXECUTIVE OFFICES
475 School St. S.W., Washington, DC 20024, (202) 554-7180

BPA

COPYRIGHT ARMY TIMES PUBLISHING CO. 1983, ARMY TIMES PUBLISHING CO. — TRADE DIVISION, MILITARY MARKET (COMEX), (USPS 911-580)

FEATURES

Page 18

TELEPHONE SURVEY: BEER & SOFT DRINKS
Industry trends as exchange managers view them.
Page 12

BITS & PIECES
Summer planning should be in motion by now.
Page 14

PHOTO MARKETING
At the PMA show, marketers discussed ways to enlarge the mature 35mm sales picture.
Page 18

SYSTEM OF THE MONTH: MARINE COMMISSARIES
Brig. Gen. Louis Buehl talks with MILITARY MARKET concerning the five percent surcharge and the future of Marine Corps commissaries.
Page 24

BEER AND SOFT DRINKS
Light beer is the new heavy on the shelves; diet soft drinks fatten sales.
Page 31

ETHNIC FOODS
Mexican foods are hotter than ever.
Page 36

JUICES AND DRINKS
Producers are capitalizing on a nutrition-conscious public's thirst for natural quenchers.
Page 43

Meister Bräu
Meister Bräu
Page 31

Page 24

Page 43

About the cover . . .
Photo by Kate Patterson

DEPARTMENTS

Editorial Comment 4
Supplier Notes 50
Calendar 55
News 9
NEW PRODUCTS 46
COMEX comix 55
OPINION 17
Military Market INDEX 54
AD INDEX 56

The Ups and Downs of the Beer and Soft Drinks Market

Light beers lead the brews in sales gains; sugarless and caffeine-free soft drinks are showing the greatest gain in a market that has been growing for decades.

By DAVID B. COOLEY
Associate Editor

"**IT'S NO SECRET** that beer sales have been declining," says Henry B. King, president of the U.S. Brewers Association Inc. "However, the light beer segment has been growing."

He tells MILITARY MARKET that premium beer is still the overwhelming American favorite, but beer sales nationwide have been flat or even declining. Several brewers are countering these declining sales by taking aim at increasing their market shares in the South and Southeast where manufacturing is on the rise, the population is increasing and brewers see the greatest potential for expansion, he says.

Overall, King contends, the American taste is for a lighter, lager beer, rather than the porter or stout brews.

Also, the relatively recent phenomenon of Americans counting their caloric intake has resulted in a steady rise in popularity of the light beers, which "now account for approximately 10 percent of all beer drinking," he says. Also growing is the superpremium beer category — eight percent of the total and up from one percent in 1970 — according to Joe Finnegan, spokesman for **Anheuser-Busch.** He also tells MILITARY MARKET that A-B's Michelob brand is preferred by more than 80 percent of those drinking superpremium beer.

King says beer pricing is divided into superpremium, premium, popular-priced and light categories. Most popular-priced beers are priced from five percent to 40 percent lower than the premium brands, depending on the locality.

Meister Bräu
Meister Bräu

MEISTER BRAU, a popular-priced beer introduced by Miller in February, will be rolled out nationally in the next few months.

"Two things make up a beer's quality — the ingredients and the brewing method," says Andrew J. Steinhubl, A-B vice president for brewing.

Legal restrictions on couponing for alcoholic beverages have been eased in a number of states. As a result, breweries are jumping on the couponing bandwagon. Some of the companies are even using mail-in coupons where POP coupon redemption is still not allowed for alcoholic beverages.

"The tactic [couponing] is fast becoming a major weapon in the guerrilla warfare the smaller brewers are waging against the duopoly of A-B and **Miller Brewing Co.**," said *Advertising Age*. "It also indicates the second-tier brewers are employing new means to thrash it out among themselves as they enter new territories."

A-B and Miller have been slugging it out between themselves with advertising campaigns. And the losers are the regional brewers. Still, the impact of some of the smaller breweries is causing concern at the large companies because they are all fighting for a share in a declining market.

"It's been awesome," says A-B's president, Dennis P. Long. "For years — into the mid-1970s — we really didn't have to market it [Budweiser] by today's standards. It's a far more competitive and sophisticated situation today."

Indisputably, Anheuser-Busch is the world's largest brewery, and its flagship brand, Budweiser, is the world's largest selling brand. A-B has been making Budweiser for more than 100 years — and 1982 was a banner year as the company produced 59.1 million barrels of brew, "an 8.5 percent increase over 1981 in a year that was practically flat for the rest of the industry," says Finnegan. The company attributes this success to "a dedication to brew only the finest beers naturally — using only premium ingredients and a time-honored brewing process."

"In the military market, Bud is preferred almost 2-to-1 over our nearest competitor," Finnegan says. A-B has been the world's largest brewer for 26 consecutive years.

The national rollout of Budweiser Light is considered by many observers as the most important new product in the market in 1982, says *Advertising Age*. "By the end of 1982, Budweiser Light was in second place in the light category — a remarkable feat for such a late entry. It had sales [volume] where Miller Lite was after three years," Finnegan says. And he adds with a chuckle, "We even

(Continued on page 32)

(Continued from page 31)

learned how to spell Light correctly."

Budweiser Light has achieved higher unit sales than Natural Light or Michelob Light, A-B's other light beers. A-B has increased is share of the light market from 17 percent to 27 percent with the introduction of Budweiser Light. "It's a viable contender for Miller Lite," says Finnegan.

P. Ward Brash, brand public relations representative at Miller, tells MILITARY MARKET that the company introduced Meister Brau beer in selected cities in mid-February. The first cities chosen as test marketing areas were Greensboro, N.C., Birmingham, Ala., and Jacksonville, Fla. In mid-March, Minneapolis became the fourth test city. Brash says Meister Brau will join Miller's family of beers — Miller High Life, Lite, Lowenbrau and Magnum.

Lauren Williams, executive vice president at Miller, says, "Market research indicates that many consumers are seeking the optimum balance of price and taste. We're confident they are going to choose Meister Brau for those reasons."

Miller, the second-largest beer producer in the United States, is promoting Meister Brau as a popular-priced brew. The name is not new to the beer-drinking consumer. Until 1972 Meister Brau was made by the now defunct Peter Hand Brewery Co. of Chicago.

Miller bought the Meister Brau brand from Peter Hand, and as part of the deal, it also bought Meister Brau Lite. Peter Hand had not been successful with Meister Brau Lite, and Miller saw an opportunity to expand its line by developing a new market for a light beer with fewer calories. This was the beginning of Miller Lite.

ON-BASE MILITARY BEER SALES — 1978-1981

	Domestic	Overseas	Worldwide
1978			
Clubs and package stores	$85,000,000	$38,000,000	$122,000,000
Exchanges	95,000,000	40,000,000	135,000,000
Total	**$180,000,000**	**$78,000,000**	**$258,000,000**
Military strength	1,600,400	493,500	2,093,900
Per capita sales	$113	$157	$123
1979			
Clubs and package stores	$90,000,000	$39,000,000	$129,000,000
Exchanges	102,000,000	47,000,000	149,000,000
Total	**$192,000,000**	**$86,000,000**	**$278,000,000**
Military strength	1,585,654	480,845	2,066,499
Per capita sales	$121	$179	$135
1980			
Clubs and package stores	$92,000,000	$51,000,000	$143,000,000
Exchanges	117,000,000	53,000,000	170,000,000
Total sales	**$209,000,000**	**$104,000,000**	**$313,000,000**
Military strength	1,586,691	502,135	2,088,826
Per capita sales	$131	$207	$150
1981			
Clubs and package stores	$100,000,000	$56,000,000	$156,000,000
Exchanges	125,000,000	61,000,000	186,000,000
Total sales	**$225,000,000**	**$117,000,000**	**$342,000,000**
Military strength	**1,607,898**	**514,759**	**2,122,657**
Per capita sales	**$140**	**$227**	**$161**

SOURCE: Army Times Research Department.

Miller Lite, or just Lite, as the company prefers to call it, took off in 1975, and now has a 57 percent share of the light beer market, says Brash. *Advertising Age* says the market share for Lite is as much as 60 percent.

Miller reformulated the Meister Brau brew that Peter Hand had used, redesigned the package and began marketing it under the Miller banner in February. "It is still too early to determine results from the test marketing," says Brash. "However, the brand is doing fine and will be going into more test cities next month."

Information recently published in *Beer Marketer's Insights*, an industry newsletter, indicates Miller's 22.5 per cent share of the beer market in 1981 had eroded to a 21.9 percent share in 1982. *Insights* said most of the lost ground was attributable to slower sales in Miller's flagship premium brand, Miller High Life. It was down 10 percent from 1981.

There are some indications that Miller wholesalers are unhappy with the company for not recognizing the need for producing a popular-priced beer before the introduction of Meister Brau. Industry analysts have anticipated Meister Brau's market entry for nearly two years and they expect it to fill the brewer's excess brewing capacity. They say popular-priced beers are traditionally used for that purpose.

"If Meister Brau rolls out, it would fill these needs," said *Advertising Age*. This [popular-priced Meister Brau] allows the distributors to make deals with their retailers without damaging the price positioning of the higher priced premium and superpremium brands.

With existing plants, Miller is capable of producing nearly 50 million barrels annually (31 gallons per barrel), but produced only 39 million barrels in 1982, according to Brash. Miller obviously is anticipating an increase in its

(Continued on page 34)

BEST AVAILABLE COPY

(Continued from page 32)

production. She adds: "Miller is opening a new brewery in Trenton, Ohio, in 1983.

Adolph Coors Co. is promoting George Killian's Irish Red Ale. Eric Riggle, of corporate communications, says the company has promotions geared to the military market in 1983. Industry analysts say Coors is getting ready to launch a new. full-bodied beer, Golden Lager 1873. The date refers to the founding of Adolph Coors Co. in Golden, Colo., in that year.

"**Pabst Brewing Co.'s** Pabst Blue Ribbon is holding its own in a very competitive market. Jacob Best Premium Light and Old English 800 Malt Liquor are expanding," Marshall B. Sutton, domestic MSM at Pabst, says. "Pabst Extra Light is enjoying a unique sales profile as one of the lowest calorie beers on the market — only 70 calories per 12-ounce can," he says.

Recently merged with Pabst, the **Olympia Brewing Co.** has a mixed report on sales for 1982. Don Lee, of the public relations office, says, "Hamms [an Olympia brand] is really growing, but the overall beer market is declining. He adds that Americans prefer a lighter lager beer like Hamms, but that Olympia brews some darker beers as well.

Olympia Dark, for instance, is available only in draught, and he adds that "it doesn't have the volume [to be a top seller]" It's only distributed on a local basis, he says. Speaking of darker beers in general, he says, "They may buy a six-pack or two, but not on a regular basis."

The imported beers market in 1982 was 5.7 million barrels — 10.9 percent more than was imported in 1981, according to figures published by the U.S. Brewers Association Inc. The asociation does not track figures by specific brands, only by nation of origin. The major beer exporting countries to the United States in 1982 were: the Netherlands (mostly Heineken), 2.33 million barrels, a 10.7 percent increase over 1981; Canada, 1.78 million barrels, a 6.3 percent increase over 1981; and West Germany, 760,000 barrels, a 28.7 percent increase over 1981.

Sugar- and Caffeine-Free

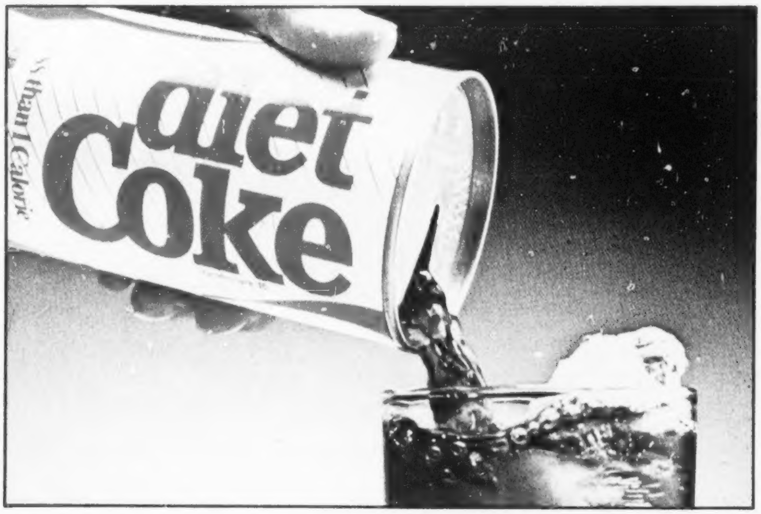
New soft drink products are on the move — and most of the new entries are sugar-free, caffeine-free, or both.

Soft drink industry analyst Emanuel Goldman, of Sanford C. Bernstein & Co., says soft drink volume will increase 2.5 percent to three percent in 1983. He expects the diet drink segment to show the greatest activity, with growth in the segment at 11 percent to 12 percent for the next few years. By the end of 1986, Goldman expects diet drinks will make up 20 percent of the market. According to the National Soft Drink Association, they account for about 15 percent now.

Goldman also believes the low-caffeine segment will become more visible as more companies roll out new entries. He thinks **Coca-Cola U.S.A.**, the only major company without a caffeine-free product, must put one on the market soon to remain competitive.

About $20 billion of soft drinks were sold at wholesale in 1981, says a 1982 survey by the NSDA (latest figure available). That puts annual per capita consumption of all soft drinks at 412.3 12-ounce units — a 3.8 percent increase over 1980 for all bulk and packaged soft drinks. NSDA figures show steady growth in soft drink sales since 1960 when annual per capita consumption was 128 12-ounce units.

The NSDA survey shows 77.6 percent of the soft drinks sold are packaged. Of the packaged drinks, 36 percent are in cans, 19.9 percent in plastic, 15.1 percent in one-way glass and 29 percent in refillable glass. The plastic and one-way glass containers show significant usage increases. The remaining 22.4 percent of soft drinks are sold in bulk (syrup). Individual servings are dispensed at vending machines and in retail establishments. Nearly 60 percent of all soft drinks are purchased in food stores.



DIET COKE WAS INTRODUCED in August 1982 and is now available in 90 percent of the country.

Diverse Cola Market

"Just for the taste of it," is Coca-Cola U.S.A's slogan in promoting Diet Coke. Dolores Sanchez, public relations specialist, tells MILITARY MARKET: "Coca-Cola rolled out Diet Coke to capture a segment of the market that Tab has been unable to.

"The post-war baby boom[ers, people now in their 30s] and others across the board are becoming more calorie conscious, and we knew there was a market for a diet drink that had no aftertaste. Tab has an aftertaste and Diet Coke does not," she says. "Also, Tab has been mainly [marketed] for the female consumer ever since it was introduced in 1963. Not until now have men become calorie conscious. The diet segment is becoming more male. Diet Coke is a mainstream cola that happens to be a diet drink."

Coca-Cola dominates the soft drink market with a 19.5 percent share, followed by Pepsi, 7UP, Dr Pepper and Tab.

Sanchez says, "Soft drink analysts predict Diet Coke will become the No. 3 brand if it is marketed well, and No. 5 if it is marketed poorly." Since its introduction in New York City in early August 1982, Diet Coke has spread to 90 percent of the country. Coca-Cola didn't plan so fast a rollout — the bottlers demanded it, says Sanchez. "We have great confidence in Diet Coke. No other soft drink has spread [geographically] so quickly."

As for the introduction of a caffeine-free cola, Sanchez says, "If and when we feel there is a viable market for us, we will enter it."

Rebecca Madeira, director of press relations at **Pepsico,** says, "Today, Pepsi-Cola is the top selling soft drink sold in food stores across the country. However, the caffeine-free drinks are also important because they're new — not yet a year old — and there's a lot of growth. People are becoming more concerned about what they drink." She predicts diet drinks will continue to show remarkable growth and that caffeine-free drinks will grow significantly also. She predicts the diet drink category will reach 20 percent of the total soft drink market in 10 years.

Pepsico rolled out Pepsi-Free and Diet Pepsi-Free this past August. From a standing start in eight cities, Pepsico now has these new entries in 95 percent distribution nationwide, according to Madeira. "It was the fastest rollout we have ever accomplished," she says.

She tells MILITARY MARKET Pepsi-Free really does contain a little caffeine. The FDA has ruled any cola-type drink that is sugared must contain some caffeine. The amount is so minute as to be called caffeine-free.

Jay Smith, public relations specialist at the National Soft Drink Association says, "The FDA ruling states that any cola or pepper-type soft drink which contains extract of the cola nut, must contain some natural-occurring caffeine." Diet colas and diet pepper-type drinks are excluded from the ruling because under the FDA's definition, a drink that is sweetened by a non-nutritive sweetener is not a soft drink.

Smith says the amount of caffeine in a standard cola drink is limited by the FDA at 0.02 percent by weight. And as a practical matter, he says, most of the cola drinks on the market contain about half that — 0.01 percent by weight. He says ounce for ounce, regular colas contain about one-sixth to one-fifth the amount of caffeine in freshly-brewed coffee.

Noncolas Thriving, Too

"Never had it, never will," is the promotional campaign that the **Seven-Up Co.** began in March 1982. The reference, of course, is to the fact that 7UP has never contained caffeine. The campaign's impact has been greater than anyone expected, says Terry Moore, manager of media relations. "Sales for 7UP and Diet 7UP are up significantly — they have dramatically exceeded our expectations, and our market share is up significantly — we are genuinely thrilled with its performance."

Moore says The Seven-Up Co. is trying to distribute its new 99 percent caffeine-free Like through its established franchises, some of which now handle Coca-Cola, too. Coca-Cola U.S.A. is fighting this by threatening to rescind contracts with its distributors if they also distribute Like. Like is now in 50 percent of the country.

Moore says 99 percent caffeine-free Like contains 0.04 milligrams of caffeine per 12-ounce can. Regular cola drinks contain about 35 milligrams of caffeine per 12-ounce can. He says the caffeine content of one can of regular cola is equivalent to the caffeine in 900 cans of Like. He makes a further comparison: The caffeine content in three cans of regular cola soda is equivalent to that contained in 15 cups of coffee. "Few parents will allow their children to have coffee, but they will allow them to drink a lot of soda," he says.

Shasta free DIET COLA
Shasta free COLA

SHASTA'S CAFFEINE-FREE logo may become the symbol for all caffeine-free soft drinks.

Shasta Beverages Inc. introduced Caffeine-Free Shasta soft drinks in Utah and the Pacific Northwest in early 1982. Now the company is rolling out nationally. For easy identification, Shasta developed a logo that appears on all its caffeine-free products. The logo is a stylized "cf" with the words "caffeine-free" included. Shasta would like to see all soft drink companies adopt the logo, but so far no other company has indicated an intention to do so.

Laurie Halladay, spokeswoman for Shasta, tells MILITARY MARKET, "Shasta is developing a newer consumer look and a more aggressive consumer market stance." The swirled 'S' in combination with the Shasta logo is repeated in different bold color combinations for each of the company's 31 regular and diet soft drinks and mixers.

Spokesman Bill Adams at the **Royal Crown Cola Co.** says his company is just getting into the military market. It has been most active in the Norfolk, Va., area, both on-base and shipboard and also in Hawaii. Adams says the success Royal Crown has had in the military market is because of the efforts of individual company representatives, rather than a companywide approach. He says a number of doors have been opened and these efforts will continue as Royal Crown expands its operations to include more of the military-resale system.

MM

The Hispanic Market Heats Up

Mexican foods manufacturers are leading the way in ethnic foods gains as this cuisine fast becomes as hot as its taste.

By GUY LAMOLINARA
Managing Editor

A COLLECTIVE OLE reverberated from the board rooms of ethnic food manufacturers in 1982 as foods from south of the border increasingly found themselves on tables up north.

The West and Southwest have always given Mexican foods a warm reception, but until recently the rest of the country was lukewarm, if not cold, to the idea of this hot cuisine.

"Mexican, without a doubt, is the fastest growing ethnic food in the United States. The potential growth in Mexican foods and beverages is enormous," says Thomas Brenker, executive director of the Mexican Food and Beverage Board, an association of Mexican food and beverage producers.

The reasons for the country's newfound taste are varied. Says Brenker: "Mexican is one of the healthiest cuisines around. But even more, its [success is attributable to] the bottom line. Mexican food is cheap to make and buy, and I think the same rules would apply to the military. There's a lot of interest there as well."

The association believes the growth potential is so large because it estimates that more than 70 percent of the U.S. population has never eaten so much as a taco. "And with the Spanish-speaking population expected to double by 1990 — 60 percent of which is Mexican — the continued health of the Mexican food and beverage segment is assured," he says, but "more can be done to accelerate that growth and improve the image of Mexican cuisine."

"Mexican food is where the emphasis is in ethnic [foods]," says Polly Murray, manager of consumer services for **McCormick & Co.** The company has recently gone national with its Tio Sancho line, which was first test marketed in Houston and Phoenix, two mature Mexican foods markets.

Why introduce products in markets presenting such formidable odds? "We felt if they'd go in a mature market, they'd sell anywhere," Murray tells MILITARY MARKET.

And they evidently did. Not only is the line in national distribution, it was recently expanded to 16 SKUs with the introduction of nacho chips especially formulated for heating.

Another marketing strategy the company used was to produce items that "are not just duplicates of what's on the market," Murray says. What she was referring to in particular are the shelf-stable soft flour tortillas; unlike corn tortillas, those made from flour have heretofore required refrigeration. The add-meat burritos are sold in bean, green chili and red chili filling varieties.

Whether McCormick's recent foray into the Mexican foods market will prompt it to attempt to duplicate that success with an Oriental line has not been decided, but according to Murray, "What we're seeing is that Oriental sales are kind of leveling. We don't see that as the fast growing ethnic food. But it is important."

There seems to be almost complete unanimity on the issue of Mexican foods' popularity: "Mexican foods are going through the roof," says David DeVincenzi, special divisions manager for **Lawry's.** "We experienced from 18 percent to 20 percent growth last year [in Mexican foods]," he tells MILITARY MARKET. "This is mainly in taco products. Its [movement] is like Italian's was when it moved from east to west, except it's the opposite. Mexican

(Continued on page 38)

BEST AVAILABLE COPY

KIKKOMAN
CHOW MEIN
SEASONING MIX
KIKKOMAN
STIR-FRY
SEASONING MIX
NET WT. 1 OZ. (28.3g)
KIKKOMAN
FRIED RICE
SEASONING MIX
NET WT. 1 OZ. (28.3g)
KIKKOMAN
SWEET & SOUR
SAUCE MIX
NET WT. 2⅛ OZ. (60.2g)
KIKKOMAN
TERIYAKI
SAUCE MIX
NET WT. 1½ OZ. (42.5g)
KIKKOMAN
MARINADE
MIX FOR MEAT
NET WT. 1 OZ. (28.3g)

KIKKOMAN INTERNATIONAL INC. is in the process of introducing a line of Oriental sauce mixes. The offerings include meat marinade, teriyaki sauce and fried rice seasoning.

(Continued from page 36)

[food] started in Texas and the West Coast and is moving east."

Cindy Brown, assistant product manager for the Lawry's Mexican foods line, says recent research has shown that Mexican food is "one of the fastest growing grocery product categories." The reasons: "It is inexpensive to prepare compared with other [ethnic] cuisines, which may require more expensive ingredients; it is also relatively easy to prepare; schools are serving it more often; and it is fairly nutritious — high in protein," she tells MILITARY MARKET.

Pet Inc. has probably achieved the most success in Mexican foods with its Old El Paso line. A spokeswoman for the company tells MILITARY MARKET: "It's the No. 1 brand, with a 23.7 percent share of the Mexican foods business." Overall, Mexican foods is the No. 4 grocery category behind tuna, packaged dinners and pork and beans, she says. "But Mexican is the only one that's growing, and it's the fastest growing of the grocery categories, with 21 percent growth in 1982. Our sales have risen 300 percent from 1979 to 1982." Year-end SAMI figures for 1982 show that Mexican foods is a $449 million market; Old El Paso has $106 million of that market.

"The military is very receptive to Mexican foods. In fact they appreciate it more than the civilian market because they have a greater exposure to it when traveling throughout the United States. The military is helping to spread Mexican's popularity."

From Exotic to Commonplace

The Oriental foods market is certainly important to Harold S. Stein, president of **Harold S. Stein & Associates,** a military sales broker. The company handles a variety of products, but the Oriental market is its most important. And although the Oriental market may be leveling off for McCormick, things could hardly be better for Stein and the products he represents. Says he: "Our sales to commissaries have grown 26 percent this past year."

He also tells MILITARY MARKET that commissary managers are increasingly devoting space to Oriental foods departments. This trend is not confined only to the big city bases. "Sales don't seem to vary that much by geography," he says. "Even in places like Fort Bragg, N.C., the products sell very well. We do just as well in Texas as in California."

Nor are Orientals the only ones buying his products, which are not the typical American-made Oriental foods. "Our products are more like the true Oriental style that Orientals are used to eating, [rather than the Oriental food from American manufacturers for American tastes]. And a great deal of our sales have to be due to non-Orientals buying them," Stein says.

What was once exotic is now commonplace in commissaries, says Stein. "Tofu is almost a regular item in most stores." The com-

(Continued on page 40)

MINORITY PARTICIPATION IN THE ACTIVE FORCE

	Total	Black	Hispanic	Other
Army	37%	29%	4%	4%
Navy	20%	11%	3%	6%
Marine Corps	27%	20%	5%	2%
Air Force	22%	15%	4%	3%
Dod Total	**28%**	**20%**	**4%**	**4%**
Total U.S.	**21%**	**12%**	**7%**	**2%**

SOURCE: Army Times Research Department. Data for FY 1982; minorities as a percentage of active-duty end strengths (total officer and enlisted).

(Continued from page 38)

pany markets dried and canned grocery products from the Orient sold under the **Orchids** and **Hanayome** labels, the **S & B Sunbird** brand of Oriental spices and the Rice Growers Association of California's **Hinode** Calrose rice.

Stein explains that Hinode is a medium-grain rice, used especially in Thai, Japanese, Filipino and Korean cuisines because of its "sticky" quality. To make the consistency of the Hinode rice more like American white rice, the Rice Growers Association developed a long-grain Hinode rice that has the taste of the medium-grain product without the stickiness.

The sales manager for special markets for **LaChoy,** one of the best known brands of Oriental foods, sees the ethnic foods market differently than McCormick's Murray. "Mexican has had a proliferation of manufacturers. The market as a whole is growing, but the increase in manufacturers is diluting the [individual manufacturers'] shares." Like Stein, he too sees Oriental foods "as a growth area for probably everyone in the industry. This is because Oriental foods are more complex; [they] require more specialized ingredients."

Another company that has had much success with a product more like the "natives" eat is **Goya Foods.** The company's products aren't Mexican-American, they are Hispanic, appealing to the palate weaned on such delicacies as beef-tripe stew, tropical juices and some 25 varieties of canned and dried beans. These foods — unavailable from the Mexican-American manufacturers — are big sellers for Goya. Many of Goya's products, including the small pink and white beans, are for the Puerto Rican market, but foods for other Caribbean cultures are also represented.

Those of the Jewish faith are able to purchase Kosher foods in the commissaries with the **Manischewitz** label. A company spokesman tells MILITARY MARKET that Manischewitz' primary customer is of the Jewish faith, "but other people [of other faiths] eat the products, too, because they perceive them as being cleaner." The Manischewitz line includes products especially produced for Passover, and the newest items are chocolate chip macaroons and almond mandel (cake) loaf.

That's Italian

Progresso Quality Foods claims to market the country's leading brand of specialty Italian-style foods. Like Trader Vic's and the products distributed by Harold Stein, Progresso views its products as being more "authentic" than the lines marketed by other manufacturers, says spokeswoman Mary MacArthur.

The company began by distributing its products exclusively to Italian-American grocery stores. "The post-war boom extended the brand's popularity, and distribution was expanded into large supermarket chains. By 1948, the corporation had become the largest manufacturer of Italian foods in North America," company sources say.

Progresso is currently expanding to establish its brand outside its traditional markets in the East. In the past few years, Progresso products were introduced to California and other Western states and in the greater Chicago area in late 1980; the products are "pretty much available nationwide [now]," MacArthur tells MILITARY MARKET. Although the brand name has moved west, MacArthur says easterners are still the largest purchasers of Progresso foods.

She adds that Italian has become the new "in" food. "Our products are becoming so popular because people are more nutrition-minded and getting down to basic cooking," she says.

The complete line includes "authentically Italian" imported olive oil, spices, imported Tuscan green peppers and pignoli (pine) nuts. In test market in Seattle, Milwaukee, Chicago, Buffalo-Rochester and Portland, Ore., are five soups — beef and chicken minestrone, beef vegetable, clam chowder and chicken noodle. These will roll out nationally this summer, MacArthur says.

There seems to be no end to Americans' growing interest in ethnic foods. As they become more willing to expore new tastes, manufacturers are likely to respond with new products. Says Harold Stein: "When people become more accustomed to ethnic food, they'll eat more of it. Our sales . . . have grown 26 percent in the past year, and we expect that much [of an increase] this year, too."

MM

BEST AVAILABLE COPY

Fruit & Juice Drinks Gain Ground on Sodas

CAPRI SUN
APPLE DRINK
CAPRI SUN
LEMONADE
CAPRI SUN
NATURAL FRUIT DRINK
FRUIT PUNCH
CAPRI SUN
NATURAL FRUIT DRINK
ORANGE DRINK
WITH 10% ORANGE JUICE
CAPRI SUN
NATURAL FRUIT DRINK
GRAPE DRINK

SHASTA'S CAPRI SUN line is one of the most popular of the new aseptic packages that have changed the juices and fruit drink market. The product is available in apple, orange, grape, lemonade and fruit punch flavors.

Growing concerns over sugar in the American diet, a return to wholesomeness in nutrition, and convenient packaging techniques have helped fuel the upward surge in juices and fruit drinks consumption.

By JAY BLUCHER
Associate Editor

CHEMICALS ARE OUT and naturalness is in.

Health and nutrition are the key words on the minds of today's consumers. The emphasis of the '80s is away from highly preserved, artificially flavored products and toward the natural. The juice and fruit drinks industry has experienced steady growth on the coattails of these concerns and responded with aggressive marketing strategies for wholesome and nutritious beverages.

The average American drinks more than 40 gallons of soft drinks a year, but only about eight gallons of fruit juices and drinks. Soda marketers spent far more on advertising, and also sold more — but that trend is reversing. Juices are becoming increasingly favored by mothers seeking to wean their youngsters away from carbonated

(Continued on page 44)

(Continued from page 43)

beverages. Shoppers are also attracted to the ready-to-serve aspect of refrigerated juices.

Aseptic Packaging

Ocean Spray, the leader in the cranberry juice trade, was the forerunner in introducing aseptic packaging to the juice field. Also known as its "paper bottle," this packaging method has enjoyed great success. Aseptic packaging also allows the juices to be stored without refrigeration for over six months. Ocean Spray says that aseptic packaging cuts 10 percent to 15 percent off the retail price of ready-to-serve fruit drinks.

By the end of the summer, Ocean Spray also hopes to have shelf-stable liquid concentrates available at the national level, which will combine with water in a four-to-one ratio. This shelf-stable concentrate will replace the company's frozen concentrate line of cranberry products, and additionally afford the consumer a 20 percent to 25 percent savings over current frozen cranberry concentrate products.

"The aseptic packaging gave us a terrific jump on the other juice companies," said Robert O'Toole, military sales manager for Ocean Spray. "So much of a jump, that today Ocean Spray is the No. 2 seller behind apple juice for juices other than orange," he told MILITARY MARKET.

The new box-style packaging is being used for beverages processed at ultrahigh temperatures for long-term shelf stability. Consumers seem to enjoy the increased convenience this packaging gives them. The concept has drawn such long-time competitors as **General Mills, Del Monte** and **Coca-Cola Foods** into using aseptic packaging.

Other major aseptic names in the field include **Borden Co.'s** Sip-in-Pak orange juice, Coca-Cola Food's three Hi-C flavors and **Shasta** with four flavors of its Capri Sun drinks. Sales are all doing very well for these products, as consumers prefer the added convenience of juices available in paper and foil containers.

Aseptic packaging has met with a great deal of enthusiasm by consumers, changing the way Americans buy and consume juice products. **Brik-Pak,** the major supplier of aseptic packaging to the industry, reports that its Brik-Pak carton has generated heavy out-of-home usage in school lunches and by brown baggers.

According to the Food Marketing Institute, cranberry juice is now the second-fastest growing canned and bottled fruit juice category, with sales up 33 percent last year to $203 million. The only product category that grew faster was nectars — at 41.5 percent. Product blends such as CranApple and CranGrape continue to do well.

When Ocean Spray brought grapefruit juice to a glass container a few years ago, the product's popularity soared. After five years, the Ocean Spray grapefrui line became the No. 1 seller grapefruit juice — commanding 18 percent of that $200 million market, according to *Business Week*.

Hidden Values in Juices

"The modern consumer is beginning to see the value in purchasing fruit juices that perhaps he couldn't see before," said Douglas Thornton, military sales manager for **Libby, McNeill & Libby.** "Juices of all kinds are really underpriced for the value they afford the shopper. For the military market, we have found that the bulk of our business has been with the large 46-ounce cans, and the convenient six-pack of six-ounce cans banded together," he said.

Surprisingly, the gains of aseptic packaging have not appreciably hurt the powdered and canned beverages as much as might be expected. Steve Cole, military sales manager for **General Foods Corp.**, says, "The powdered market has definitely not fallen off — in fact, we have experienced a five percent growth in sales for our Tang, Kool-Aid and Country Time powdered beverages last year."

General Foods has also recently introduced a new adult-oriented, sugar-free drink it calls Crystal Light. With this product reaching national distribution shortly, it will augment the sugar-free line of Kool-Aid, now available in five flavors.

Apple juice has become the upstart product of the juice industry, experiencing strong growth in the late '70s. With an annual growth rate of some 15 percent, apple juice was an alluring category for many juice companies to explore expansion into. Recently that growth has leveled off to less than one percent, however. "For the last two years we have only seen modest growth in apple juice for a number of reasons: The market has reached a measure of maturity and the depressed economic conditions of the marketplace have heightened competition among many companies," said Chick Rogers, military sales manager for **National Fruit Produce Co.,** which markets White House apple juice.

The growth in sales for apple juice came on the heels of a heightened awareness in the country concerning sugar. "I suppose it began with the ecology movement, but in general, people began to realize the nutritional implications of all that sugar in their diet and apple juice bacame the natural substitute, especially for cooking," said Barbara Huff, spokeswoman for **Real Fresh Inc**.

The sales prognosis for apple and grape flavors, the two most important noncitrus frozen concentrates, looks good for the future. Both are expected to build upon gains scored in recent years. The leader in apple juice concentrates continues to be **S.S. Pierce Co.,** whose Seneca apple juice line is the No. 1 selling frozen apple juice concentrate.

S.S. Pierce has also introduced an all-natural grape juice, marketed as Seneca 100 percent Natural Frozen Grape Juice, in 12-ounce cans and appearing nationally soon. Before the introduction of this product, all frozen grape concentrates were made with grape juice and sugar. "This new line represents the first true innova-

COMMISSARY SALES OF JUICES & DRINKS

	DOMESTIC	OVERSEAS	WORLDWIDE
Frozen juices and drinks	$39,603,800	$6,943,800	$46,547,600
Canned juices			
Prune	2,583,200	653,500	3,236,700
Apple/cider	7,192,600	1,669,100	8,861,700
Grapefruit	4,330,800	1,011,400	5,342,200
Cranberry	3,267,000	755,300	4,022,300
Pineapple	1,696,800	440,100	2,136,900
Grape	1,848,800	476,000	2,325,400
Orange	1,266,300	304,900	1,571,200
Lemon and Lime	1,013,000	244,000	1,257,000
Nectars	987,700	237,900	1,225,600
All other fruit juices	1,139,800	305,600	1,445,400
Punches	5,074,200	1,205,100	6,279,300
Grape-flavored	2,347,200	514,700	2,861,900
Orange-flavored	2,021,600	503,600	2,525,200
Pineapple-flavored	691,900	166,700	858,600
Tomato juice	3,404,800	819,900	4,224,700
Tomato cocktail	527,000	135,500	662,500
Vegetable cocktail	2,697,500	589,300	3,286,800
All other	305,200	125,100	430,300
Total	$85,431,800	$17,979,000	$103,410,800

SOURCE: Army Times Research Department. Data for CY 1981.

tion in the frozen grape juice category in many years," said Eric Jaeckel, marketing director for Seneca.

Orange Juice Still No. 1

But while apple juice may be the trendsetter of the industry, orange juice remains the leader in terms of sales and consumer demand. Each year consumers spend more than $2.5 billion on frozen and chilled orange juice. The orange juice field is dominated by Coca-Cola Food's Minute Maid and **Beatrice Food's** Tropicana brands, which together accounted for more than $863 million in retail sales for 1982. While frozen concentrate orange juice is the biggest seller with both the civilian and miltary patrons, chilled orange juice is the newest and fastest growing member of the orange juice family.

According to Paul Kastl, MSM for **Citrus Central Inc.**, "Apple juice may be growing faster, but in terms of sheer volume of sales, there's no comparison between orange juice and apple."

"Citrus drinks and fruit juices have grown in fantastic proportion to sodas and carbonated beverges. In fact, for the first time ever we have surpassed the $1 billion mark as an industry, and obviously, this is very encouraging," Kastl told MILITARY MARKET.

Good news for the orange juice consumer is that this year's crop looks better than last year's, and barring an unforeseen freeze, should afford a price break to the shopper. "It's too early to say with any certainty, but the crop definitely looks better than last year, which is certainly welcome news to the industry," said Kastl.

Tropicana's introduction of its Chugger, a single-serving shelf-stable orange juice, has greatly enhanced its sales. A company spokesman said, "While there are no immediate plans for aseptic packaging, the convenience of our Chuggers six-pack and single-serving lines has shown us that convenience is an important consumer consideration today."

A recent development in this highly competitive market has been the introduction of Minute Maid's reduced-acid orange juice, more than two years in development and the only product of its kind in the field. The new line was specifically designed for the consumer who is sensitive to the acid in citrus juices.

Two well established firms to recently enter the orange juice market with new brands are **Gerber Products Co.** with its Vintage Grove line of fruit juices, and **Procter & Gamble** with Citrus Hill. Gerber's entry bucks the latest trend of aseptic packaging in the industry, with its apple and apple-cranberry juices marketed in refrigerated, ready-to-use cartons only. Procter & Gamble entered its new Citrus Hill brand in chilled, ready-to-drink cartons and frozen concentrate.

One brand of drink that stands apart from the others in the field has been the Gatorade line from **Stokeley-Van Camp.** Marketed as a thirst-quencher drink, the juice contains no fruit juices and is produced from water, salt and other minerals. According to John Donnelly, military sales manager for the company, "Sales of this item have consistently been high and we are expecting continued growth for the future."

The leader in the vegetable juices continues to be **Campbell Soup Co.'s** V-8. Heavy competition among several brands remains the norm for this field. Campbell's, **Welch's, Sacramento,** Libby's and Del Monte tomato juices are all competing for an increasingly slim sales market for tomato juice. These major packers are experiencing stagnating sales, while private labels and generic brands are slowly eroding their sales bases, according to *Frozen Food Age*.

Vegetable and tomato juice products have not experienced the growth of fruit juice lines, perhaps because in the past the American taste has become so accustomed to sweetness from its drinks. While this sweet tooth still persists, fructose (from fruit) is beginning to replace sucrose (table sugar).

The verdict is still not in on whether the trend of increasing juice sales will overtake the incredible 40 gallons of soda the average American drinks per year.

MM

Military Market INDEX

COMMISSARIES

		JANUARY			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
AIR FORCE	**CONUS**	$136,261	$132,747	+2.65	$136,261	$132,747	+2.65
	OVERSEAS	27,055	26,784	+1.01	27,055	26,784	+1.01
	TOTAL	163,316	159,531	+2.37	163,316	159,531	+2.37
ARMY	**CONUS**	108,264	96,512	+12.18	108,264	96,512	+12.18
	OVERSEAS	39,936	30,160	+32.41	39,936	30,160	+32.41
	TOTAL	148,200	126,672	+17.00	148,200	126,672	+17.00
NAVY	**CONUS**	49,877	50,141	-0.53	49,877	50,141	-0.53
	OVERSEAS	5,668	5,828	-2.75	5,668	5,828	-2.75
	TOTAL	55,545	55,969	-0.76	55,545	55,969	-0.76
MARINES	**CONUS**	10,846	10,844	+0.02	10,846	10,844	+0.02
	OVERSEAS	174	150	+16.00	174	150	+16.00
	TOTAL	11,020	10,994	+0.24	11,020	10,994	+0.24
COAST GUARD	**CONUS**	275	307	-10.42	275	307	-10.42
	OVERSEAS	217	218	-0.46	217	218	-0.46
	TOTAL	492	525	-6.29	492	525	-6.29
ALL COMMISSARIES	**CONUS**	305,523	290,551	+5.15	305,523	290,551	+5.15
	OVERSEAS	73,050	63,140	+15.70	73,050	63,140	+15.70
	TOTAL	$378,573	$353,691	+7.03	$378,573	$353,691	+7.03
GROCERY STORES	**U.S.**[1]	$19.116 bil.	$18.937 bil.	+0.95	$19.116 bil.	$18.937 bil.	+0.95

EXCHANGES

		JANUARY			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
AAFES	**CONUS**	$180,418	$173,140	+4.20	$180,418	$173,140	+4.20
	OVERSEAS	135,734	133,119	+1.96	135,734	133,119	+1.96
	TOTAL	316,152	306,259	+3.23	316,152	306,259	+3.23
NAVY	**CONUS**[2]	60,465	65,353	-7.48	60,465	65,353	-7.48
	OVERSEAS[2]	27,433	28,502	-3.75	27,433	28,502	-3.75
	TOTAL[2]	87,898	93,855	-6.35	87,898	93,855	-6.35
MARINES	**CONUS**	17,491	20,921	-16.40	17,491	20,921	-16.40
	OVERSEAS	4,059	3,523	+15.21	4,059	3,523	+15.21
	TOTAL	21,550	24,444	-11.84	21,550	24,444	-11.84
COAST GUARD	**CONUS**[3]	4,746	4,963	-4.37	4,746	4,963	-4.37
	OVERSEAS[3]	647	553	+17.00	647	553	+17.00
	TOTAL[3]	5,393	5,516	-2.23	5,393	5,516	-2.23
MAIL ORDER	**CONUS**[4]	1,281	736	+74.05	1,281	736	+74.05
	OVERSEAS[4]	3,796	2,616	+45.11	3,796	2,616	+45.11
	TOTAL[4]	5,077	3,352	+51.46	5,077	3,352	+51.46
ALL EXCHANGES	**CONUS**	264,401	265,113	-0.27	264,401	265,113	-0.27
	OVERSEAS	171,669	168,313	+1.99	171,669	168,313	+1.99
	TOTAL	$436,070	$433,426	+0.61	$436,070	$433,426	+0.61
DEPARTMENT STORES	**U.S.**[1]	$6.47 bil.	$6.058 bil.	+6.80	$6.47 bil.	$6.058 bil.	+6.80

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

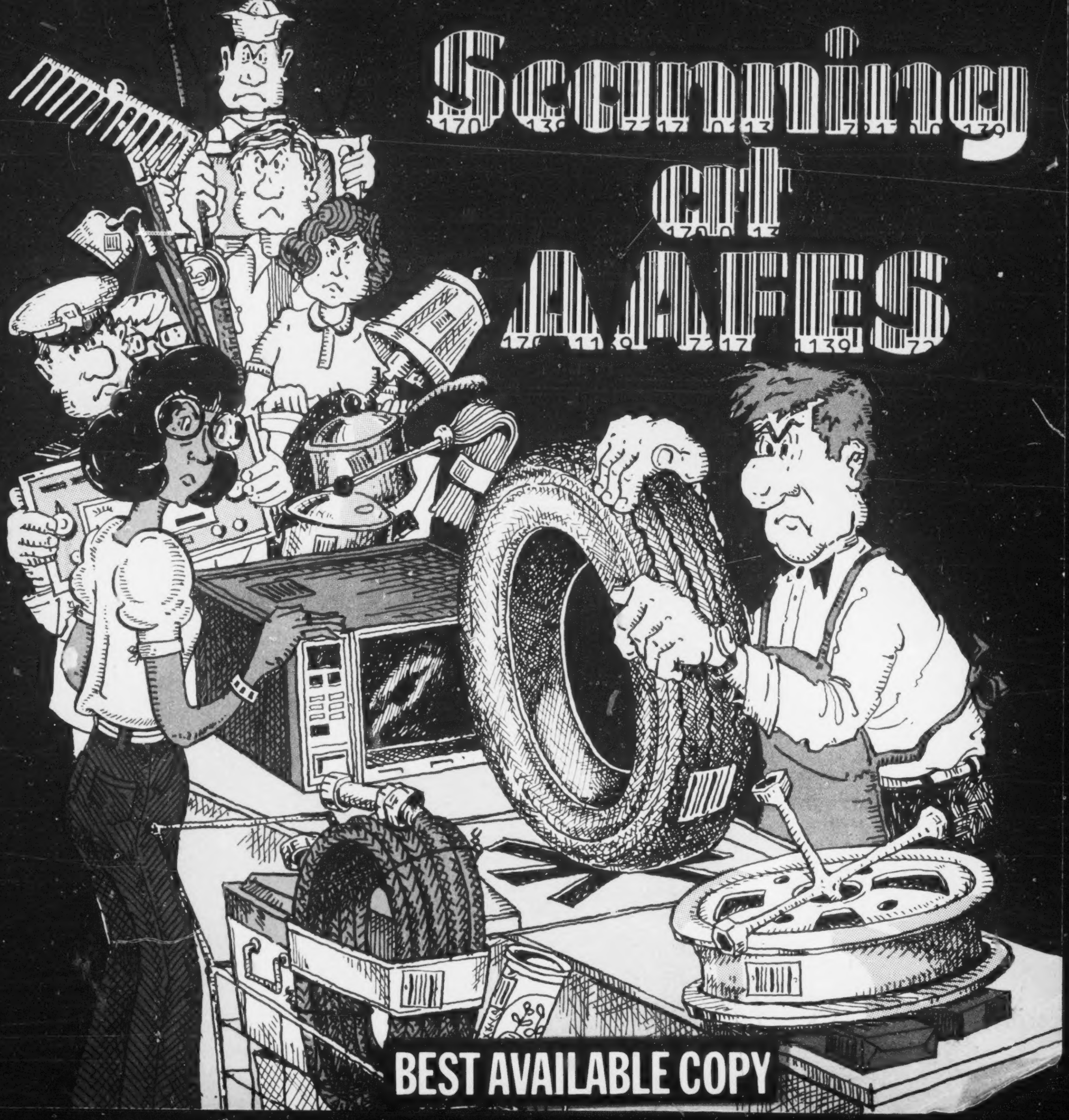
BEST AVAILABLE COPY

C0500-1 6/14/83

Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM · ARMY TIMES PUBLISHING COMPANY JUNE 1983 $2.00

Scanning at AAFES



BEST AVAILABLE COPY

Military Market
MAGAZINE FOR THE MILITARY RETAIL SYSTEM
ARMY TIMES PUBLISHING COMPANY
JUNE 1983
VOLUME 34, NO. 6

CONTENTS

Military Market is published 12 times a year by the Army Times Publishing Co., 475 School St. S.W., Washington, DC 20024. Single copies, $2, except January Buyers Guide and July Almanac and Directory issues, $5 each. Yearly subscriptions within the U.S., $20; to civilian addresses outside the U.S., $25. Second class postage paid at Washington, DC and additional mailing offices. Postmaster: Send address correction to Military Market, 475 School St. S.W., Washington, DC 20024.

The material in this publication is copyrighted and may not be reproduced in whole or part without written permission of the publisher.

For a complete list of Army Times Publishing Co. offices, see back page.

PRESIDENT
William F. Donnelly
EXECUTIVE VICE PRESIDENT
Henry L. Belber
VICE PRESIDENTS
Donald J. Garyantes, Production; Thomas B. Moore, Circulation; Robert E. Schweitz, Editorial; Joseph G. Varga, Advertising

EDITOR
Nancy Tucker
MANAGING EDITOR
Guy Lamolinara
ASSOCIATE EDITORS
Jay Blucher, David B. Cooley, Karla G. Williams
ATPUBCO NEWS SERVICE
Bruce Covill, Chief; Allen E. Carrier, Martha Craver, Tom Philpott, Paul Smith
ART DIRECTOR
Jack Auldridge
ART CONSULTANT
Garnett Sullivan
STAFF PHOTOGRAPHERS
Joe Matera, Kate Patterson
ADVERTISING MANAGER
Vincent Santoro
CIRCULATION
S.C. Parojinog
ADVERTISING PRODUCTION
Phyllis King
EXECUTIVE OFFICES
475 School St. S.W., Washington, DC 20024, (202) 554-7180

BPA

COPYRIGHT ARMY TIMES PUBLISHING CO. 1983, ARMY TIMES qs deskING CO. — TRADE DIVISION, MILITARY MARKET (COMEX), (USPS 911-580)

FEATURES

Page 17

Page 26

BITS & PIECES
Planning for the big July 4 holiday.
Page 12

TELEPHONE SURVEY: SCANNING AT AAFES
How do exchange managers view the imminent change?
Page 15

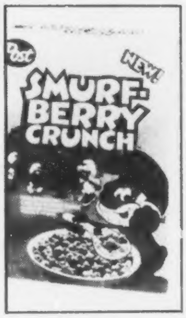
BACK-TO-SCHOOL
Time to sharpen pencils for the second largest consumer buying season.
Page 17

COVER STORY: AAFES' SCAN TEST
Fort Sam Houston's scanning is a '100 percent success,' so AAFES moves quickly to other stores.
Page 22

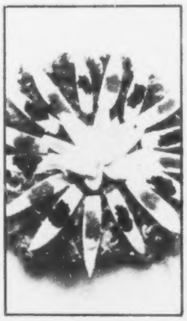
FALL FASHION
This season, retailers are looking for sales to rise rather than fall.
Page 26

BREAKFAST FOODS
New products are the key to unlocking the crunch on market shares.
Page 32

PRODUCE
Consumers spend more green for the greengrocer's expanding product offerings.
Page 37



Page 32



Page 37

About the cover . . . Drawing by Garnett Sullivan

DEPARTMENTS

Editorial Comment 4
Supplier Notes 44
Calendar 47
News 9
NEW PRODUCTS 40
COM-EX comix 47
OPINION 8
Military Market INDEX 46
AD INDEX 48

Military Market INDEX

COMMISSARIES

		FEBRUARY			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
AIR FORCE	CONUS	$132,441	$123,393	+7.33	$268,702	$256,140	+4.90
	OVERSEAS	27,126	25,080	+8.16	54,181	51,865	+4.47
	TOTAL	159,567	148,473	+7.47	322,883	308,005	+4.83
ARMY	CONUS	90,168	90,272	-0.12	198,432	186,784	+6.24
	OVERSEAS	26,936	27,352	-1.52	66,872	57,512	+16.27
	TOTAL	117,104	117,624	-0.44	265,304	244,296	+8.60
NAVY	CONUS	47,923	46,969	+2.03	97,800	97,109	+0.71
	OVERSEAS	5,577	5,699	-2.14	11,245	11,527	-2.45
	TOTAL	53,500	52,668	+1.58	109,045	108,636	+0.38
MARINES	CONUS	10,792	9,409	+14.70	21,639	20,253	+6.84
	OVERSEAS	167	160	+4.38	341	310	+10.00
	TOTAL	10,959	9,569	+14.53	21,980	20,563	+6.89
COAST GUARD	CONUS	269	294	-8.50	545	601	-9.32
	OVERSEAS	175	180	-2.78	392	398	-1.51
	TOTAL	444	474	-6.33	937	999	-6.21
ALL COMMISSARIES	CONUS	281,593	270,337	+4.16	587,118	560,887	+4.68
	OVERSEAS	59,981	58,471	+2.58	133,031	121,612	+9.39
	TOTAL	$341,574	$328,808	+3.88	$720,149	$682,499	+5.52
GROCERY STORES	U.S.[1]	$18.130 bil.	$17.494 bil.	+3.64	$37.303 bil.	$36.431 bil.	+2.39

EXCHANGES

		FEBRUARY			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
AAFES	CONUS	$204,250	$193,009	+5.82	$384,668	$366,149	+5.06
	OVERSEAS	144,331	132,349	+9.05	280,064	265,468	+5.50
	TOTAL	348,581	325,358	+7.14	664,732	631,617	+5.24
NAVY	CONUS[2]	80,493	77,767	+3.51	140,958	143,120	-1.51
	OVERSEAS[2]	34,446	32,267	+6.75	61,879	60,769	+1.83
	TOTAL[2]	114,939	110,034	+4.46	202,837	203,889	-0.52
MARINES	CONUS	29,770	29,491	+0.95	47,261	50,412	-6.25
	OVERSEAS	5,526	5,081	+8.76	9,585	8,605	+11.39
	TOTAL	35,296	34,572	+2.09	56,846	59,017	-3.68
COAST GUARD	CONUS[3]	5,491	5,439	+0.96	10,238	10,402	-1.58
	OVERSEAS[3]	748	606	+23.43	1,396	1,160	+20.34
	TOTAL[3]	6,239	6,045	+3.21	11,634	11,562	+0.62
MAIL ORDER	CONUS[4]	1,677	1,040	+61.25	2,958	1,776	+66.55
	OVERSEAS[4]	4,788	3,592	+33.30	8,585	,208	+38.29
	TOTAL[4]	6,465	4,632	+39.57	11,543	7,984	+44.58
ALL EXCHANGES	CONUS	321,681	306,746	+4.87	586,083	571,859	+2.49
	OVERSEAS	189,839	173,895	+9.17	361,509	342,210	+5.64
	TOTAL	$511,520	$480,641	+6.42	$947,592	$914,069	+3.67
DEPARTMENT STORES	U.S.[1]	$6.304 bil.	$6.042 bil.	+4.34	$12.774 bil.	$12.1 bil.	+3.67

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) Military Market Magazine estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

BEST AVAILABLE COPY

Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM

ARMY TIMES PUBLISHING COMPANY JULY 1983 $5.00

ALMANAC & DIRECTORY '83

[illegible]14 1283 3 07 C 01
CONGRESSIONAL INFO SVC
JOSEPH MCNALLY
4520 E-W HWY/#800 MD 20014
BETHESDA

BUSHEY
ROYAL
BLOOKER'S
DUTCH
COCOA
BLUE LABEL
SOUP

Military Market — MAGAZINE FOR THE MILITARY RETAIL SYSTEM — JULY 1983
ARMY TIMES PUBLISHING COMPANY — VOLUME 34, NO. 7

CONTENTS

FEATURES

TELEPHONE SURVEY: FRAUD, WASTE & ABUSE IN AAFES
Exchange managers' thoughts, now that the investigations have come to a close
Page 6

BITS & PIECES
August will be the last chance to rid shelves of those summer items.
Page 12

DIRECTORY OF MILREP COMPANIES
Our newest list of contracted sales agents that specialize in military market sales, and trade associations that specialize in military sales agents' interests.
Page 18

1983 ALMANAC: DESK-TOP REFERENCE
Our most-requested annual feature, this Almanac is filled with information indispensable to those working in and with the resale systems. Also included are reports from each of the systems.
Page 33

INDEX TO DIRECTORY: A QUICK FIND
A guide to our 1983 Directory listings.
Page 53

1983 DIRECTORY OF SUPPLIERS
A company-by-company listing of thousands of firms supplying to the resale systems, plus references to their brand name products. Newly expanded and updated, this Directory is our largest ever.
Page 55

About the cover . . .
Design and concept for cover and 1983 Almanac by Matt Arozian

DEPARTMENTS

Editorial Comment 4
News 9
OPINION 14
NEW PRODUCTS 176
Supplier Notes 177
Military Market INDEX 182
Calendar 183
[illegible] comix 183
Ad INDEX 184

Military Market is published 12 times a year by the Army Times Publishing Co., 475 School St. S.W., Washington, DC 20024. Single copies, $2, except January Buyers Guide and July Almanac and Directory issues, $5 each. Yearly subscriptions within the U.S., $20; to civilian addresses outside the U.S., $25. Second class postage paid at Washington, DC and additional mailing offices. Postmaster: Send address correction to Military Market, 475 School St. S.W., Washington, DC 20024.

The material in this publication is copyrighted and may not be reproduced in whole or part without written permission of the publisher.

For a complete list of Army Times Publishing Co. offices, see back page.

PRESIDENT
William F. Donnelly
EXECUTIVE VICE PRESIDENT
Henry L. Belber
VICE PRESIDENTS
Donald J. Garyantes, Production; Thomas B. Moore, Circulation; Robert E. Schweitz, Editorial; Joseph G. Varga, Advertising

EDITOR
Nancy Tucker
MANAGING EDITOR
Guy Lamolinara
ASSOCIATE EDITORS
Jay Blucher, David B. Cooley, Karla G. Williams
ATPUBCO NEWS SERVICE
Bruce Covill, Chief; Allen E. Carrier, Martha Craver, Tom Philpott, Paul Smith
ART DIRECTOR
Jack Auldridge
ART CONSULTANT
Garnett Sullivan
STAFF PHOTOGRAPHERS
Joe Matera, Kate Patterson
ADVERTISING MANAGER
Vincent Santoro
CIRCULATION
S.C. Parojinog
ADVERTISING PRODUCTION
Phyllis King
EXECUTIVE OFFICES
475 School St. S.W., Washington, DC 20024, (202) 554-7180

BPA

ABC

COPYRIGHT ARMY TIMES PUBLISHING CO. 1983, ARMY TIMES gs deskING CO. — TRADE DIVISION, MILITARY MARKET (COMEX), (USPS 911-580)

The Almanac

Twenty-fourth Annual Statistical Review of the Military Resale Market

THE MARKET

Population of the Military Community 34
Reserve Forces in Paid Status 34
Ages of Active Duty Military 34
Ages of Wives of Active Duty Personnel 35
Ages of Dependent Children 35
Race Breakdown of Active Duty Personnel 35
Sex Breakdown of Active Duty Personnel 35
Active Duty Rank, Sex and Service 36

COMPENSATION

Income of the Military Community 37
Active Duty Military Compensation 37
Average Military Compensation 37

EXCHANGES

Sales by Product Category 38
Sales by System 39
Sales Growth of Exchanges 39
Geographic Origin of Sales 39

COMMISSARIES

Sales by Product Category 40
Sales by System 41
Sales Growth of Commissaries 41
Geographic Origin of Sales 41

THE MARKET'S RETAIL SALES

Largest Department/Variety Store Chains 42
Largest Supermarket Chains 42
Total Sales of Resale Systems 42

SYSTEM REPORTS

Air Force Commissary Service 43
Army and Air Force Exchange Service 43
Coast Guard Activities 44
Defense Logistics Agency 45
Marine Corps Commissaries 46
Marine Corps Exchange System 47
Navy Resale and Services Support Office 47
State Department Co-operatives 49
Troop Support Agency 50
Veterans Canteen Service 52

CORDIAL
BUSHEL
ROYAL
BLOOM

The Market

RESERVE FORCES IN PAID STATUS

ARMY NATIONAL GUARD	
Officers	40,387
Enlisted	367,214
Total	**407,601**

ARMY RESERVE	
Officers	48,042
Enlisted	208,617
Total	**256,659**

NAVAL RESERVE	
Officers	18,045
Enlisted	75,674
Total	**93,719**

MARINE CORPS RESERVE	
Officers	2,901
Enlisted	37,104
Total	**40,005**

AIR NATIONAL GUARD	
Officers	12,517
Enlisted	88,140
Total	**100,657**

AIR FORCE RESERVE	
Officers	13,890
Enlisted	50,553
Total	**64,443**

DoD RESERVES (Total)	
Officers	135,782
Enlisted	827,302
Total	**963,084**

COAST GUARD RESERVE**	
Officers	1,765
Enlisted	10,510
Total	**12,275**

TOTAL (all services)	
Officers	137,547
Enlisted	837,812
Total	**975,359**

*As of September 30, 1982

**The Coast Guard is part of the Department of Transportation.

SOURCE: Defense Manpower Data Center

The resale systems' potential customer pool in 1982 was made up of more than 11.6 million active duty, retired and reservist military personnel along with their dependents. More than half of all active duty personnel are 25 years old or under, while nearly 38 percent of military customers are retirees or their dependents.

AGE BREAKDOWN OF ACTIVE DUTY MILITARY

Under 20 years	21.2%
21 — 25 years	34.2%
26 — 29 years	15.0%
30 — 35 years	16.0%
36 — 39 years	7.2%
40 years +	6.4%

As of September 30, 1982

Does not include Coast Guard.

POPULATION OF THE MILITARY COMMUNITY

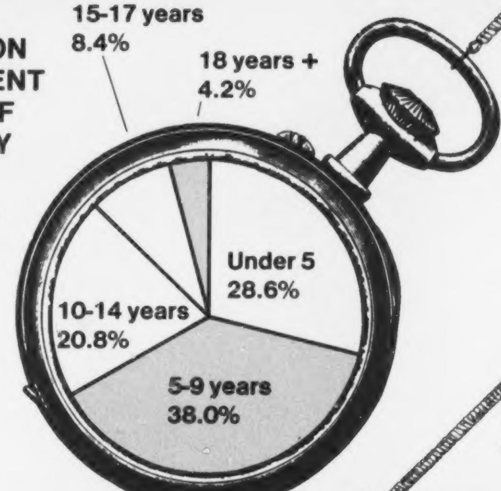
RESERVISTS*		
Reservists in paid status	993,396	8.5%
Spouses of reservists	622,600	5.3%
Children of reservists	717,100	6.2%
Total	**2,333,096**	**20.0%**
RETIREES		
Retired military	1,404,586	12.0%
Spouses of retired military	1,260,858	10.9%
Other dependents of retirees	1,740,366	14.9%
Total	**4,405,810**	**37.8%**
ACTIVE DUTY		
Active duty military	2,165,422	18.6%
Spouses of active duty military	1,132,300	9.7%
Other dependents of active duty	1,626,630	13.9%
Total	**4,924,352**	**42.2%**
GRAND TOTAL	**11,663,258**	**100%**

As of March 31, 1983

*Does not include Coast Guard reserves

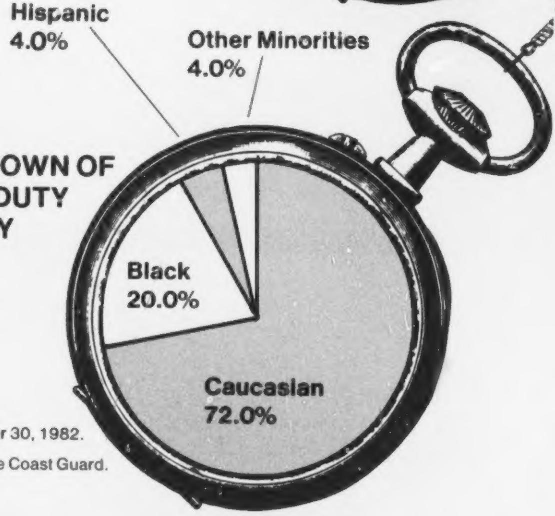
AGE DISTRIBUTION OF DEPENDENT CHILDREN OF ACTIVE DUTY MILITARY PERSONNEL

As of March 31, 1983



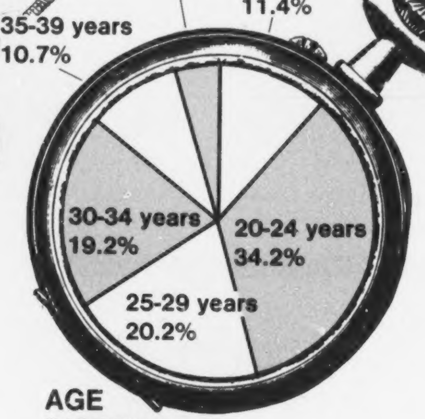
Women made up nine percent of the forces, and blacks and other minorities accounted for 28 percent. About 45 percent of all military wives were 24 years old or under, while two-thirds of military children were less than 10 years old.

RACE BREAKDOWN OF ACTIVE DUTY MILITARY



As of September 30, 1982.

Does not include Coast Guard.



AGE DISTRIBUTION OF WIVES OF ACTIVE DUTY MILITARY

As of March 31, 1983

ACTIVE DUTY MILITARY PERSONNEL BY SEX

	CY 1982	CY 1981	CY 1980	CY 1979	CY 1978
Total active duty	2,108,612	2,082,560	2,050,627	2,027,494	2,062,404
Percent male	91.0	91.1	91.6	92.6	93.5
Percent female	9.0	8.9	8.4	7.4	6.5

As of Sept. 30, 1982.
Does not include Coast Guard

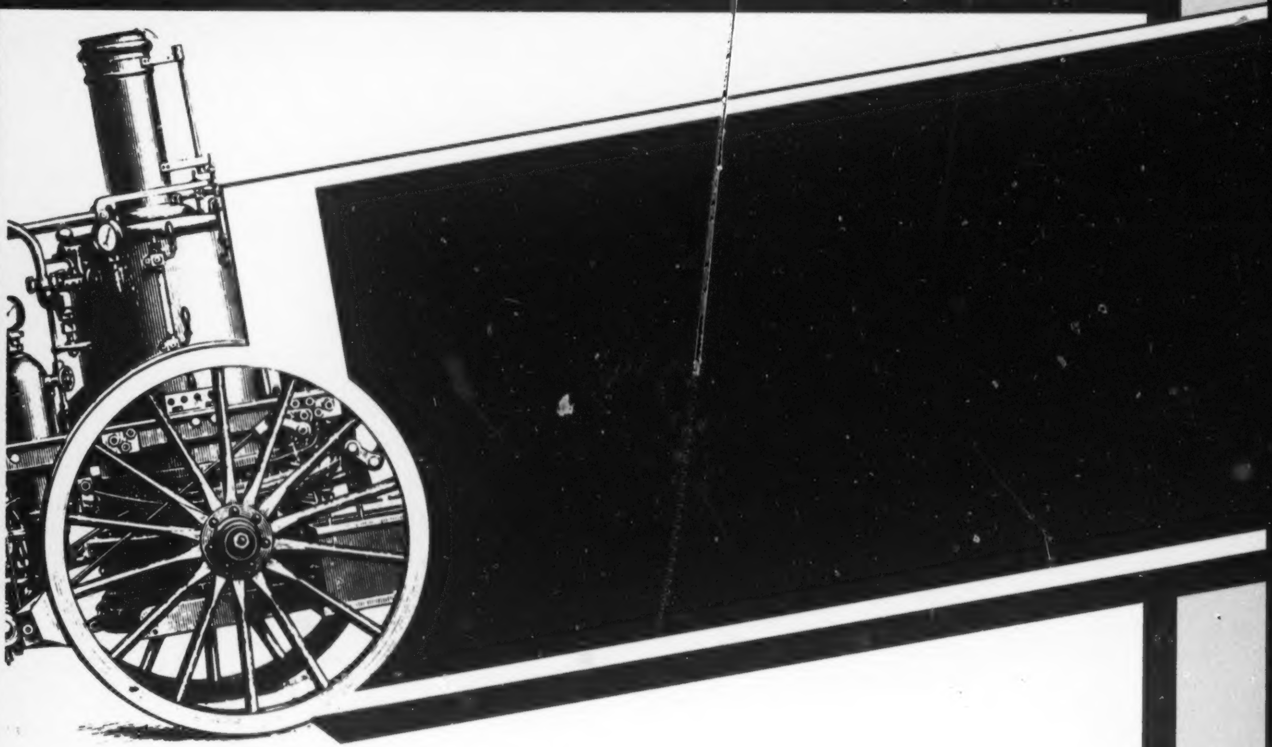
ACTIVE DUTY MILITARY PERSONNEL BY RANK, SEX AND SERVICE

	ARMY		NAVY		MARINE CORPS		AIR FORCE	
RANK	Male	Female	Male	Female	Male	Female	Male	Female
OFFICERS								
O7-O10	394	2	249	2	65	0	336	2
O-6	4,430	85	3,724	87	579	5	5,257	76
O-5	10,371	290	7,466	286	1,487	29	12,088	328
O-4	15,208	910	11,991	947	2,934	59	17,783	769
O-3	28,843	3,746	16,917	2.110	4,724	123	32,199	3,903
O-2	11,053	2,003	9,003	1,266	4,509	170	12,973	3,064
O-1	9,497	1,837	9,297	1,026	2,834	149	11,312	1,800
WARRANT OFFICERS	14,280	160	2886	16	1,283	25	0	0
TOTAL OFFICERS	94,076	9,033	61,533	5,740	18,415	560	91,948	9,942
ENLISTED								
E-9	4,168	19	3,659	5	1,233	6	4,735	14
E-8	14,873	120	8,618	35	3,263	24	9,446	32
E-7	47,379	813	30,423	267	8,623	125	34,210	192
E-6	78,304	3,780	65,838	2,229	14,727	385	52,146	1,198
E-5	105,466	11,624	84,335	6,698	24,674	1,481	91,669	10,592
E-4	154,166	21,481	87,962	10,178	30,565	1,974	84,024	18,245
E-3	106,636	15,287	84,992	10,768	41,935	1,872	102,494	17,588
E-2	41,611	5,540	42,489	4,387	24,324	1,316	22,887	3,357
E-1	56,474	4,958	35,846	2,457	16,186	692	20,876	2,767
TOTAL ENLISTED	609,077	63,622	444,162	37,024	165,530	7,875	422,487	53,985
CADETS AND MIDSHIPMEN	4,134	449	4,240	297	0	0	3,962	521
GRAND TOTAL	707,287	73,104	509,935	43,061	183,945	8,435	518,397	64,448

RANK	COAST GUARD*			TOTAL ALL SERVICES			TOTAL DOD		
OFFICERS	Male	Female	Total	Male	Female	Total	Male	Female	Total
O7-O10	28	0	28	1,072	6	1,078	1,044	6	1,050
O-6	332	0	332	14,322	253	14,575	13,990	253	14,243
O-5	635	0	635	32,047	933	32,980	31,412	933	32,345
O-4	942	3	945	48,858	2,688	51,546	47,916	2,685	50,601
O-3	1,368	28	1,396	84,051	9,910	93,961	82,683	9,882	92,565
O-2	1,063	31	1,084	38,601	6,534	45,135	37,538	6,503	44,041
O-1	485	52	547	33,425	4,864	38,289	32,940	4,812	37,752
WARRANT OFFICERS	1,445	2	1,447	19,894	203	20,097	18,449	201	18,650
TOTAL OFFICERS	6,298	116	6,414	272,270	25,391	297,661	265,972	25,275	291,247
ENLISTED									
E-9	308	0	308	14,103	44	14,147	13,795	44	13,839
E-8	462	1	463	36,662	212	36,874	36,200	211	36,411
E-7	2,600	4	2,604	123,235	1,401	124,636	120,635	1,397	122,032
E-6	4,911	98	5,009	215,926	7,690	223,616	211,015	7,592	218,607
E-5	4,790	317	5,107	310,934	30,712	341,646	306,144	30,395	336,539
E-4	7,737	483	8,220	364,454	52,361	416,815	356,717	51,878	408,595
E-3	4,170	378	4,548	340,227	45,893	386,120	336,057	45,515	381,572
E-2	3,782	333	4,115	135,093	14,933	150,026	131,311	14,600	145,911
E-1	753	76	829	130,135	10,950	141,085	129,382	10,874	140,256
TOTAL ENLISTED	29,513	1,690	31,203	1,670,769	164,196	1,834,965	1,641,256	162,506	1,803,762
CADETS AND MIDSHIPMEN	741	109	850	13,077	1,376	14,453	12,336	1,267	13,603
GRAND TOTAL	36,552	1,915	38,467	1,956,116	190,963	2,147,079	1,919,564	189,048	2,108,612

Department of Defense data as of Sept. 30, 1982. *Coast Guard data as of Oct. 31, 1982. Portions of Coast Guard data are estimated.

Compensation



FY 1983 Active Duty Military Compensation

Average military compensation	**$24,656***
Regular military compensation	$17,475
Basic pay	12,866
Basic allowance for quarters	1,642
Subsistence allowance & costs	1,670
Variable housing allowance	301
Federal income tax advantage	996
Special allowances	$637
Special & incentive pays	909
Commissary & exchange savings	748
Free/reduced cost medical/dental care	1,046
Retirement credit for current year's service	3,011
Social security payments (government contributions)	830

*Annual rate, including value of fringe benefits and consumption advantages.
SOURCE: DoD Personnel Budget for FY 1983.

The average annual compensation for active duty military rose 4.7 percent to $24,656. At the same time, all-sources income for the resale systems' pool of potential customers rose 6.5 percent to $133.4 billion.

Average Military Compensation Over the Last Six Years

FY 1977	**$14,398**
FY 1978	**15,367**
FY 1979	**16,594**
FY 1980	**18,420**
FY 1981	**20,546**
FY 1982	**23,538**
FY 1983	**24,656**

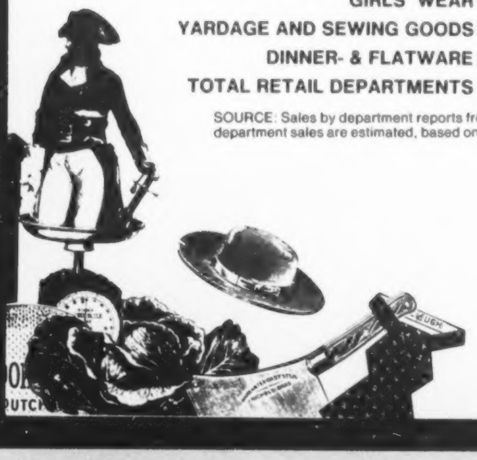
Source: FY 1983 DoD Personnel Budget

Exchanges

A category-by-category breakdown of sales in exchanges during CY 1982.

	WORLDWIDE DOLLAR SALES PERCENTAGE		DOMESTIC DOLLAR SALES PERCENTAGE		OVERSEAS DOLLAR SALES PERCENTAGE	
CONSUMER ELECTRONICS	$584.8	11.7	$187.9	5.79	$396.8	22.6
FOOD AND JUICES	411.1	8.22	269.4	8.31	141.6	8.07
TOBACCO PRODUCTS (INCL. VENDING)	385.2	7.70	308.6	9.51	76.5	4.36
MILITARY UNIFORMS (INCL. DPSC)	300.0	6.00	232.8	7.17	67.2	3.82
HEALTH AND BEAUTY AIDS	265.5	5.31	187.0	5.76	78.5	4.47
STATIONERY & GREETING CARDS	223.1	4.46	164.8	5.08	58.3	3.32
MEN'S FURNISHINGS	199.9	4.00	142.6	4.39	57.2	3.26
SODA & BEER	186.3	3.72	112.5	3.47	73.8	4.20
OPTICAL AND PHOTOGRAPHY	182.6	3.65	107.7	3.32	74.8	4.26
TRAFFIC AND MAJOR APPLIANCES	160.0	3.20	101.4	3.12	58.5	3.33
FOOTWEAR	158.5	3.17	117.2	3.61	41.2	2.34
WOMEN'S OUTERWEAR	151.5	3.03	104.6	3.22	46.9	2.67
AUTOMOTIVE	145.1	2.90	99.9	3.08	45.1	2.57
JEWELRY (INCL. FINE JEWELRY)	123.9	2.48	79.6	2.45	44.3	2.52
MEN'S OUTERWEAR	115.7	2.31	76.0	2.34	39.6	2.26
WOMEN'S FURNISHINGS	108.5	2.17	85.5	2.63	22.9	1.30
HARDWARE	103.1	2.06	81.4	2.51	21.7	1.23
LINENS AND DOMESTICS	98.1	1.96	66.5	2.05	31.5	1.79
TOYS, GAMES & BICYCLES	97.2	1.94	61.1	1.88	36.0	2.05
GARDEN/PATIO FURNITURE/ACCESSORIES	94.2	1.88	83.3	2.57	10.8	0.61
RECORDED SOUND AND VIDEO	91.0	1.82	39.3	1.21	51.7	2.94
COSMETICS & FRAGRANCES	89.0	1.78	66.9	2.06	22.2	1.26
SPORTING GOODS	87.0	1.74	59.5	1.83	27.5	1.56
KITCHENWARE	79.4	1 58	53.9	1.66	25.5	1.45
FURNITURE & RUGS	78.3	1.56	31.0	0.95	47.2	2.69
CLEANING SUPPLIES	70.7	1.41	49.1	1.51	21.5	1.22
INFANTS' & TODDLERS' WEAR	63.9	1.27	44.3	1.36	19.5	1.11
BOYS' WEAR	57.0	1.14	39.6	1.22	17.4	0.99
WATCHES	55.8	1.11	41.2	1.27	14 6	0.83
GIFTWARE (AAFES ONLY)	51.5	1.03	31.3	0.96	20.1	1.15
LUGGAGE	49.9	1.00	35.6	1.09	14.3	0.81
GIRLS' WEAR	47.1	0.94	30.7	0.94	16.3	0.93
YARDAGE AND SEWING GOODS	44.0	0.88	26.9	0.83	17.0	0.97
DINNER- & FLATWARE	37.3	0.74	22.1	0.68	15.1	0.86
TOTAL RETAIL DEPARTMENTS	$4.997	100.0	$3.242	100.0	$1.754	100.0

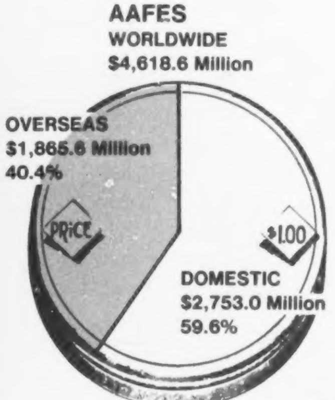
SOURCE: Sales by department reports from AAFES, NAVRESSO and Veterans Administration Canteen Service. Marine Corps and Coast Guard department sales are estimated, based on NAVRESSO and AAFES percentage distributions.

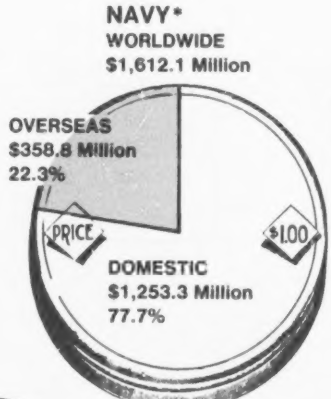


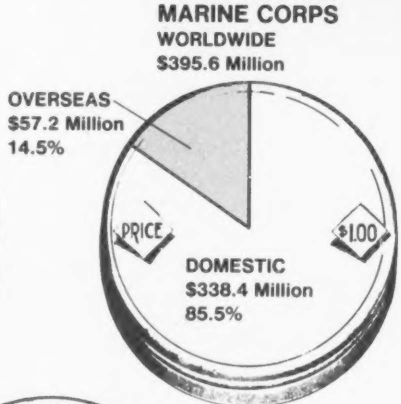
Total exchange sales were nearly $6.9 billion in 1982. Domestic exchange sales accounted for 66.8 percent of total sales; overseas sales were 32.2 percent of total sales.

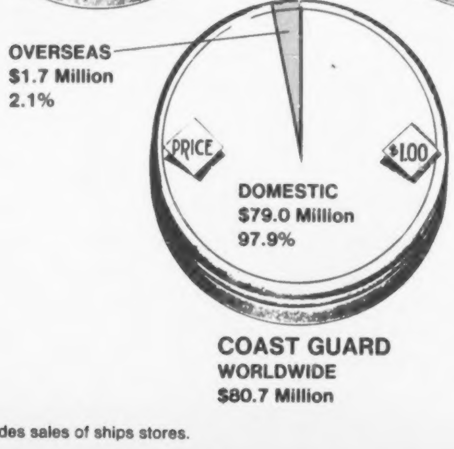
PERCENT OF EXCHANGE SALES BY SYSTEM WORLDWIDE CY 1982

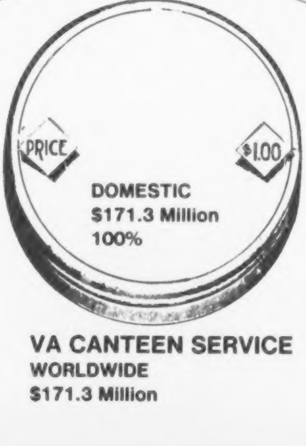
SYSTEM	WORLDWIDE SALES	PERCENT OF TOTAL SALES
AAFES	$4,618.6 Mil.	67.1%
NAVY	1,612.1 Mil.	23.4%
MARINE CORPS	395.6 Mil.	5.8%
COAST GUARD	80.7 Mil.	1.2%
VCS	171.3 Mil.	2.5%
TOTAL	$6,878.3 Mil.	100%











*Includes sales of ships stores.

Commissaries

A category-by-category breakdown of sales in commissaries during CY 1982.

	WORLDWIDE DOLLAR SALES PERCENTAGE		DOMESTIC DOLLAR SALES PERCENTAGE		OVERSEAS DOLLAR SALES PERCENTAGE	
FRESH & CURED MEAT, POULTRY & SEAFOOD	$1,105.6	24.7	$912.8	24.7	$192.8	24.7
DAIRY PRODUCTS	398.4	8.9	334.1	9.0	64.3	8.2
HOUSEHOLD SUPPLIES	398.7	8.9	321.9	8.7	76.8	9.8
CANNED FOODS	384.1	8.6	309.9	8.4	74.2	9.5
FROZEN FOODS	339.2	7.6	290.9	7.9	48.3	6.2
TOBACCO PRODUCTS*	271.4	6.1	231.3	6.3	40.1	5.1
BAKED GOODS	262.0	5.8	220.1	6.0	41.9	5.4
PRODUCE	205.9	4.6	170.0	4.6	35.9	4.6
PREPARED BEVERAGES	151.8	3.4	121.7	3.3	30.1	3.9
HEALTH & BEAUTY AIDS	132.3	2.9	109.3	2.9	23.0	3.0
BAKING NEEDS	130.9	2.9	107.7	2.9	23.2	3.0
PET FOODS	124.1	2.8	98.6	2.7	25.5	3.3
CEREALS	92.1	2.1	72.0	1.9	20.1	2.6
BABY FOODS	67.1	1.5	55.4	1.5	11.7	1.5
DRIED FRUITS, VEGETABLES & NUTS	53.7	1.2	44.4	1.2	9.3	1.2
SAUCES	46.2	1.0	38.0	1.0	8.2	1.0
SOFT DRINKS (NOT STOCKED BY NAVY)	44.3	1.0	37.5	1.0	6.8	0.9
SPREADS	42.1	0.9	34.7	0.9	7.4	1.0
CANDY & CHEWING GUM	40.8	0.9	34.4	0.9	6.4	0.8
DRESSINGS	39.9	0.9	31.7	0.9	8.2	1.0
PASTA PRODUCTS	28.8	0.6	23.7	0.6	5.1	0.6
DESSERTS & TOPPINGS	28.0	0.6	22.9	0.6	5.1	0.6
PICKLES, OLIVES & VINEGAR	26.3	0.6	21.7	0.6	4.6	0.6
SPICES & EXTRACTS	25.2	0.6	20.7	0.6	4.5	0.6
DIETETIC & LOW CALORIE	22.7	0.5	18.7	0.5	4.0	0.5
SYRUP	12.3	0.3	10.2	0.3	2.1	0.3
MISCELLANEOUS	2.1	0.1	1.3	0.1	0.8	0.1
TOTAL DEPARTMENTS	$4,476.0	100.0	$3,695.6	100.0	$780.4	100.0

*Tobacco products as a percentage of total sales are computed including sales of Navy and Marine Corps commissaries, which do not stock tobacco products. When computed as a percentage of sales of Army and Air Force stores, tobacco products are 7.6 percent of worldwide sales, 7.9 percent of domestic sales and 6.1 percent of overseas sales.

NOTE: Because of rounding, items may not add up to totals. All figures are estimated for CY 1982 for all services, including State Department Co-ops. Sales shown in millions of dollars and percentage share of total sales.

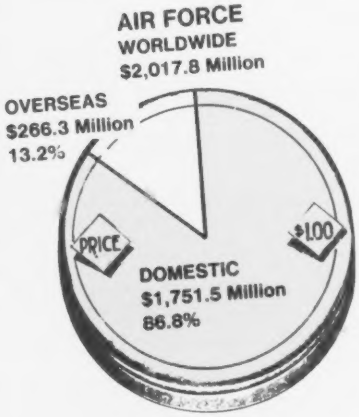
J.R. TORREY CO
US

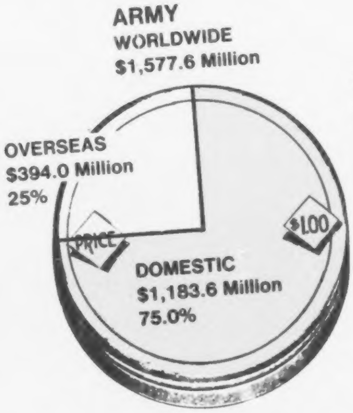
SALES GROWTH

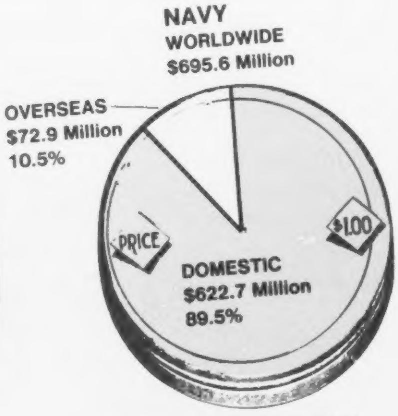
CY 1978 . . . $3.3 BILLION
CY 1979 . . . $3.6 BILLION
CY 1980 . . . $3.9 BILLION
CY 1981 . . . $4.2 BILLION
CY 1982 . . . $4.5 BILLION

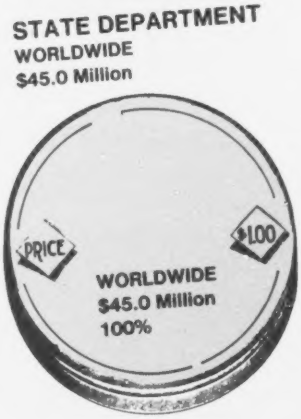
PERCENT OF COMMISSARY SALES BY SYSTEM WORLDWIDE CY 1982

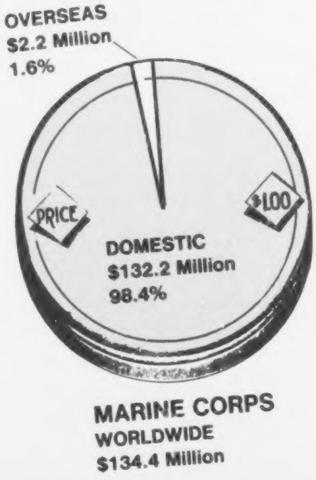
SYSTEM	WORLDWIDE SALES	PERCENT OF TOTAL SALES
AIR FORCE	$2,017.8 Mil.	45.1%
ARMY	1,577.6 Mil.	35.3%
NAVY	695.6 Mil.	15.5%
MARINE CORPS	134.4 Mil.	3.0%
COAST GUARD	5.6 Mil.	0.1%
STATE DEPT.	45.0 Mil.	1.0%
TOTAL	$4,476.0 Mil.	100%

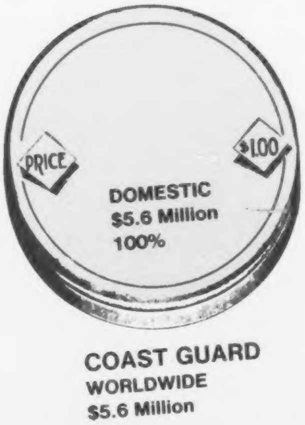












By the end of 1982 total commissary sales had surpassed $4 billion dollars. Overall, 82.6 percent of commissary sales originated in domestic outlets. Only 17.4 percent of the sales were rung up in overseas commissaries.

The Market

LARGEST SUPERMARKET CHAINS

	1982	1981
1 — Safeway	$17.6	$16.6
2 — Kroger	11.9	11.3
3 — Lucky	8.0	7.2
4 — American Stores	7.5	7.1
5 — Winn-Dixie	6.8	6.2
6 — Jewel	5.6	5.3
7 — A & P	4.6	7.0
8 — Worldwide Commissaries	**4.5**	**4.2**
9 — Grand Union	4.1	4.3
10 — Albertson	3.9	3.4
11 — Domestic Commissaries	**3.7**	**3.4**

$ in billions

SOURCE: Civilian supermarket sales as reported in the June 1983 issue of *Progressive Grocer*. Military commissary sales are as reported by the headquarters offices of the various commissary systems. Commissary sales shown include the surcharge.

LARGEST DEPARTMENT/VARIETY STORE CHAINS

	1982	1981
1 — Sears	$18.8	$18.2
2 — K mart	16.8	16.5
3 — J.C. Penney	11.4	11.9
4 — Worldwide Military Exchanges	**6.9**	**6.4**
5 — Federated Dept. Stores	6.4	5.9
6 — Dayton-Hudson	5.7	4.9
7 — Montgomery Ward	5.6	5.7
8 — Woolworth	5.1	7.2
9 — Domestic Military Exchanges	**4.5**	**4.2**

$ in billions

SOURCE: Sales of civilian department store chains are as reported by "Annual 'Yardstick' Report: The Top 100 Chains," *Chain Store Age, General Merchandise Edition*, June 1983. Military Exchange sales are as reported by the headquarters offices of the various exchange systems.

COMBINED 1982 COMMISSARY AND EXCHANGE SALES

CY 1977	CY 1978	CY 1979	CY 1980
$7,454 Million	$8,123 Million	$8,890 Million	$9,863 Million
	CY 1981	CY 1982	
	$10,640 Million	$11,354 Million	

COMMISSARIES	$4,476.0 Million	39%
EXCHANGES*	$6,878.3 Million	61%
TOTAL	$11,354.3 Million	100%

*Includes sales by mail order, catalog, concessions, food service, personnel services, etc. Combined 1982 sales for commissaries and exchanges were well over $11 billion. Commissaries moved back up to eighth place among supermarket chains, while exchanges moved up one place among general merchandise chains for the second year in a row and are now in fourth place.

Air Force Commissary Service

"THE AIR FORCE Commissary Service has laid the groundwork for improvement in operations and patron service for many years to come.

"**Scanning and ADP.** Our program is off and running. Proposals from industry are now being evaluated, and late this year the first system, a development and test system for the headquarters, will be installed. Early next year we will be installing scanners and new data systems at the Kelly AFB commissary, and by early 1987 we will have the new system in nearly all of our stateside and overseas commssaries.

"**Not-in-Stocks**. Our aggressive program to combat not-in-stocks has resulted in stocked shelves in many locations and tightened controls in all our stores. Also, our customers now find signs on the shelves telling them when an item is due in. Our store managers are identifying items that are out-of-stock and working to successfully solve that problem.

"**Resets.** Almost 90 percent of our commissaries have been reset. Vertical merchandising and better shelf-space allocation have enabled us to speed up customer flow and keep fast-moving items on the shelf.

"**Overseas Pricing.** We took over stock selection of perishable product stored at the Felixstowe depot to give our customers service in the United Kingdom stores on the more popular items as well as better prices.

"**New Commissaries.** Our construction and rehabilitation program continues to provide improved and more cost-efficient stores for our customers. The Los Angeles Air Station commissary, completed in June, was our first new store in ConUS that did not replace an existing facility.

"**Revised Meat Pricing.** Our new procedures allow only a two percent adjustment for processing losses. This forces better management and assures that our customers are charged prices as close as possible to cost.

"**New Equipment.** We're pushing to help make our people work smarter by using equipment to reduce the manual workload. One example is the authorization for store managers to purchase portable phones. This makes the manager mobile and keeps him in constant touch with the warehouse, office, vendors and other people he must talk with to carry on everyday business. We have added ice machines in our produce departments and patty makers in many of our meat departments.

"**Personal Initiative.** Careful management of our civilian and military workforce is important. Our people participate in many types of courses and seminars to make them more proficient and professional.

"The future holds great promise for AFCOMS and the men and women we serve. Our focus remains unchanged. We will continue to do our utmost to provide authorized patrons with the best savings and service wherever they are."

Maj. Gen. George C. Lynch, USAF
Commander
Air Force Commissary Service

Army & Air Force Exchange Service

"DURING FY 1982 the Army and Air Force Exchange Service initiated a number of programs that will enable it to run more smoothly.

"The results of an in-store point-of-sale system test were so gratifying that installation has been scheduled for 20 ConUS stores that gross more than $1 million in sales annually and an additional 104 stores worldwide with annual sales exceeding $500,000 by FY 1986. All retail stores are expected to be equipped with this system by FY 1989 if communications capabilities exist.

"The system scans the Universal Product Code on merchandise, looks up the price in the in-store computer file and prints it and a description of the item on the customer receipt. It is estimated that 80 percent of all items AAFES sells could eventually be scanned by this system.

"Of the AAFES suppliers asked to assess their interest in the POS system, two-thirds indicated they already had or would have POS numbering on their products by 1984.

"The POS system will not only assure pricing accuracy, but will also eliminate individal item pricing. Down the line, check approvals, layaway payments, inventory control and other services will be added to the system, making one-stop shopping a reality in AAFES retail facilities.

"A similar POS system was implemented in AAFES food activities. Known as FOCIS (Food Operations Control and Information System), the system allows tighter control over food items, permits adjustments in menus based on customer preference and ensures pricing accuracy. More than 180 of the scheduled 400 units have already been installed.

"AAFES is continuing to study a distribution system realignment, which calls for a new warehouse on the East Coast by mid-1985, an upgrade of several existing warehouses and the downscoping or closing of several others. The plan, estimated to cost $182 million, will save AAFES $25 million annually through more effective utilization of space and personnel and better inventory management. It will also reduce the pipeline time on goods to Europe.

"To help customers get more for their dollar, AAFES continued to extend its line of house brand products during the year by adding 20 health and beauty aid items. It is expected that more house brand items will be added as the need arises and quality and supply are assured.

"Another money-saving program introduced was the off-price program, which permits AAFES to sell quality name brand items (mostly softlines) at savings of 30 percent to 60 percent. The program is made possible through special buys from manufacturers, usually at the end of the season.

"The AAFES Budget Special Program continues to be expanded. More than 300 items are now part of this program, including a requirement for 40 percent of all children's clothing.

"The pricing philosophy at AAFES continues to emphasize savings to customers. The most recent A.C. Nielsen survey confirms that savings in ConUS are almost 23 percent, and this is without the addition of applicable state and local sales taxes. AAFES achieves these savings through a viable markup policy, ranging from a zero markup on highly essential items to less than 50 percent for luxury items. While we try to maintain maximum commonality with the other military exchange systems, some differences occasionally occur as a result of the differences in organizational structures and operating policies.

"In other matters of interest to AAFES suppliers, there has been no change in the store visitation policy for vendor representatives. Vendors who have a contract requirement to visit stores may do so per the contract; those without such contracts may get temporary access by making an appointment in advance through the ConUS region/overseas system merchandising branch or division.

"AAFES continued to use minority vendors through its Minority Business Utilization Program, which began in 1970. Increases in concession, agency and vending were up 45 percent; procurement of merchandise, equipment and supplies were up 100 percent; and support services, construction, architectural and transportation rose 45 percent over last year.

"In FY 1982 AAFES had its best year ever. Sales were up 10 percent, net earnings were up 10 percent, and dividends to the morale, welfare and recreation funds of the Army and Air Force were up 12 percent, to $103 million.

"Out of each dollar spent by an AAFES customer, 72 cents went for retail merchandise; nine cents for gasoline, automotive and other services; eight cents for concession activities; seven for food; three in vending machines and one cent for motion pictures.

"Out of the retail dollar, 27.5 percent bought housewares and home furnishings; 21.5 percent clothing, linens and domestics; 12.2 percent food and beverages; 8.9 percent health and beauty aids, 7.7 percent sports and recreation items; seven percent military clothing; 4.6 percent stationery and greeting cards; 4.1 percent tobacco products; 3.6 percent watches and jewelry and three percent automotive supplies.

"For each dollar taken in, AAFES spent 95.6 cents for operations, including merchandise, personnel and utility costs. The remainder went almost evenly to MWR dividends and capital expenditures for new and improved AAFES facilities to service our customers.

"I have designated FY 1983 as a "Year of Challenge" in AAFES. I have challenged my employees to increase productivity and management creativity, reduce operating and overhead costs, provide better service to our customers and increase per capita sales.

"I challenge our suppliers to work with our buyers and procurement personnel to help us achieve these goals. AAFES represents an outstanding opportunity for selling products and services. More than 430 suppliers did more than $1 million worth of business with us last year — business that is not only valuable while our customers are part of the military, but as an aftermarket when they retire or leave the service.

"I challenge you to work with my people — for the benefit of our military customers and their family members, AAFES and, of course, yourself."

Maj. Gen. Richard D. Murray, USAF
Commander
Army and Air Force
Exchange Service

Coast Guard Activities

"COAST GUARD Nonappropriated Fund Activities rang up sales of $101.5 million during 1982.

"Exchange sales totaled $48.5 million, grocery $22 million, package store $15.6 million, clubs $5 million and miscellaneous $10.4 million.

"The three largest locations have major grocery and exchange operations: Cape Cod Air Station heads the list with $9.5 million in sales ($5.1 million in grocery); Mobile Aviation Training Center is second with $9.1 milliuon in sales ($5.5 million in grocery); and Group St. Petersburg is third with $7.3 million in sales ($3 million in grocery).

"During 1982 Coast Guard NAFAs made major strides in improving operating efficiency, despite difficult economic timnes and stagnant sales levels. By working closely with patron advisory groups, Coast Guard NAFA's started reshaping services around patron needs and the potential for patron benefit. Savings are either being invested in the activity to improve service, or are passed on to the customer in the form of lower prices.

"Strategies for 1983 build upon the gains of 1982 by requiring this evolutionary process to continue, by increasing the scope and frequency of manager training and by testing a protoype integrated POS system at two locations."

Cmdr. R.C. Waterman, USCG
Chief
NAFA Management Division
Office of the Commandant
(G-FNM)
U.S. Coast Guard

COAST GUARD commissary sales during FY 1982 amounted to a total of $5,486,559. These are based on sales at two stores: Kodiak, Alaska, and Governors Island, N.Y.

While the commissary at Petaluma, Calif., was converted to Nonappropriated fund status and became an exchange entity on September 1, 1981, there are no current or anticipated plans to similarly convert the two remaining Coast Guard commissaries.

Defense Logistics Agency

"IN 1747 Frederick the Great in *Introductions for His Generals,* wrote: "The greatest secret of war and the masterpiece of a skillful general is to starve his enemy. Hunger exhausts men more surely than courage, and you will succeed with less risk than by fighting."

"Throughout history, battles have often been lost because supply lines were stretched too thin and troops were starved into surrender by their enemies.

"Supplying the military services with a variety of wholesome, nutritious and appealing food is as vital today in peace time as it is during war.

"One of the major missions of the Defense Logistics Agency, a dynamic partner with the services in assuring the nation's readiness, is supplying the military services with the food required to maintain their fighting capability.

"Subsistence support is more than buying fresh fruits, meats and canned and packaged goods. It's development of modernized information systems; it's broadening the base of competition through commercial acquisition; it's opening a new subsistence terminal in London, and, unfortunately, it's having to prosecute those companies and their representatives who cheat the government.

"Recently, DLA was proud to add to its subsistence facilities a new terminal in London. Located in the historic Covent Garden Market, this terminal is responsible for providing food daily for more than 60,000 customers in the United Kingdom. While the terminal distributes approximately 100 perishable items to 15 commissaries in its region, much of the food is for troop issue and military hospitals.

"Our people in Europe estimate that more than six million pounds of fresh produce will be purchased each year at the market. In addition to overnight delivery, the European subsistence region will be able to offer savings of 50 percent to 200 percent on old prices of many items.

"In the field of automated information systems, a number of actions have occurred during the past year to support our worldwide subsistence mission at the Defense Personnel Support Center in Philadelphia.

"DLA has embarked on a course of action that we think should lead to significant improvements in support of our military and commissary customers and result in improved business relations with our suppliers — and all at a reduced cost of doing business for DLA.

"The Defense Integrated Subsistence Management System is being improved through the use of modern computer and telecommunications technology. DLA plans to implement a sophisticated Data Base Management System at DPSC that will provide management information and perform transaction processing in support of our worldwide wholesale inventory management, purchasing and distribution mission.

"The computer installation at DPSC is now connected in an online environment to the Defense Subsistence Region-Pacific and DSR-Europe regional offices, and the ConUS Defense Subsistence Offices. These offices have real-time CRT terminals and minicomputers to process customer orders, create vendor contracts/purchase orders and provide management information to the on-site operators in the field offices and at DPSC for their daily operations.

"DLA is planning to implement the new DISMS in an incremental manner. The first step has already been accomplished by connecting the ConUS DSOs into the DPSC computer, which permits the transmission of selected chill and freeze data and data entry of fresh fruits and vegetables transactions to flow directly betweeen the DSOs and DPSC.

"DPSC is now field testing a new Fresh Fruits and Vegetables Order/Receipt System and plans to deploy this on-line interactive (conversational) system through ConUS this year.

"As new applications are developed by DLA's Data Systems Automation Center, they will be deployed to the field activities in an incremental or phased manner. Each phase of redesign of DISMS will provide improved customer support and better and more timely interfaces with our suppliers. As DLA introduces new technology, such as Universal Product Code processing capability and interactive transaction processing with on-line data base information, DLA's worldwide support will be significantly improved.

"Another continuing agency initiative is the conversion of military specifications in the area of food products and food service equipment to commercial equivalents of established market acceptability. This is more commonly known as ADCOP or Acquisition and Distribution of Commercial Products.

"The ADCOP program is now established as one method of acquiring products and services in the federal government. Most aspects of the program are still fluid and the intent is for many of them to remain so to permit flexibility in acquiring a range of items as well as complex systems.

"Within DoD the ADCOP program is becoming more structured. Several important initiatives are currently under way, including:

"• Changes in policy on standardization of commercial products, which will permit inclusion of definitive part-numbering systems and quality assurance provisions in Commercial Item Descriptions. The proposed changes will also provide greater detail on conducting market research and analysis and place the responsibility for MR&A on the specification preparing activities in concert with item managers and the acquisition activity.

"The proposed changes also establish an order of preference for standardization documents. This order of preference is: nongovernment (industry or voluntary) standard, commercial item description, federal specification and military specification.

"• A proposed Defense Acquisition Regulation case has been developed and circulated for comments. When the comments are received, the proposed DAR case with comments will be submitted to the DAR Council for review and action. Recognition of the ADCOP program in the DAR will provide additional regulatory coverage and guidance.

"• Developing plans to implement that portion of Executive Order 12352, Federal Procurement Reforms, March 17, 1982, which emphasizes effective use of private sector capabilities and elimination of unnecessary government specifications.

"Within DLA, several commodity areas have received special emphasis regarding use of the commercial marketplace. These commodities include medical drugs and devices, food service equipment and subsistence items. Generally, we feel that stressing the ADCOP program in these areas has yielded positive results in the acquisition arena and customer satisfaction.

"While a number of aspects of the ADCOP program still require greater clarification, the program has been successfully administered in many areas. Clarification of "gray areas" in the program will occur as we gain greater experience in a broader application.

"The Defense Logistics Agency has always tried to assure that our customers receive fresh, nutritious food at a fair price. Contactors who fail to meet that criteria have been suspended or debarred depending on the outcome of investigations.

"Last fall we learned that a number of vendor representatives dealing with the Army commissaries in Germany were under criminal investigation for inflating orders to boost sales. These disclosures caused us a great deal of concern at DLA. Those inflated orders resulted in requisitions from the Army's Troop Support Agency that were filled by DLA under contracts awarded by DPSC in Philadelphia for hundreds of thousands of dollars' worth of unneeded items.

"The Army's investigation is now complete. Two individuals have been indicted on criminal charges; one of the two has been tried and found guilty of making false statements to the government. We're now considering what action to take against the others involved in this scheme.

"What happened in Europe seriously undermines the integrity of the commissary system, a system that by necessity depends on the basic honesty of vendor reps. We simply can't afford to do business with people who cheat the government or with companies that insist upon employing them. The large majority of companies and sales representatives who are honest are also the victims of those few who do not play by the rules.

"The administrative action that DLA takes in this regard should make it clear that we don't intend to continue to deal with people or companies that have demonstrated that they cannot be counted on to deal fairly with the government.

"These and other ongoing projects in the Defense Logistics Agency are designed to continue and enhance our timely and responsive support to the Armed Forces and improve their readiness."

Vice Adm. E.A. Grinstead
SC, USN
Director
Defense Logistics Agency

Marine Corps Commissaries

"THE SIGNIFICANT ISSUE regarding Marine Corps commissaries was the recent imposition of the commissary store standard surcharge. With the one percent reduction from the former Marine Corps surcharge rate, accumulation of income to support new equipment, facility construction and renovation programs will take longer.

"In anticipation of the reduced income, the Marine Corps commissary stores are employing aggressive marketing techniques to broaden their sales base. Among these are store resets, reduction of operating costs, increased hours of operation and replacement of antiquated equipment as funds become available. Contributing to the modern marketing strategies employed by the commissary stores are the continuing efforts of the Commissary Distribution complexes at MCAS, El Toro, Calif.; and MCB, Camp Lejeune, N.C., to seek discounts to the price of merchandise.

"Support to the MCAS, Iwakuni, Japan, commissary store from the West Coast Commissary Distribution Complex commenced Oct. 1, 1982. The complex's buying power is now available to our Marines and families who shop at the Iwakuni store; they are experiencing a wider selction of items and lower prices. Also, lead time from store order to delivery was reduced from 90-120 days to approximately 30 days. Minimum order quantities, which created excess on-hand stocks, out-of-code dates, and in-transit damages were eliminated. The Central Distribution Center at Camp Lejeune supports Cherry Point daily and Parris Island once a week for slow moving items. The concept of remote storage sites allows the distant stores to maintain stock of certain selected itemsthat are bulky, heavy and fast moving.

"The initial start-up and problems experienced by the East Coast were comparable to the West Coast's implementation and the time necessary to adjust to the re-buy/purchase order system. We are confident the system will continue to improve as it accumulates data to accurately forecast demand.

"A major challenge for Marine Corps commissary stores is to maintain a viable, high quality commissary store construction and renovation program, in the light of reduced income. The latest store opening was October 1982 at MCLB, Albany, Ga., and plans are 35 percent complete for the new facility scheduled to open January 1985 at MCLB, Barstow, Calif. Store renovations include an expansion project at the Camp Pendleton, Calif., store, which will increase the checkout and display areas. Subject to the availability of funds, a renovation project at the Twentynine Palms command, to increase the sales area by 5000 square feet, will be considered.

"The future of the Marine Corps commissary program is an important concern to our Marines, their families and other servicemembers. The reduction of surcharge revenues requires all concerned to make a bona fide effort to reduce expenses and increase sales, to demonstrate watchfulness and competence in managing accumulated income and to employ various marketing strategies to broaden the sales base.

"With the continuing improvements gained by complexing efforts, improved management techniques and new and upgraded facilities, commissary patrons will continue to receive the benefits of quality service and lower prices."

Brig. Gen. Louis H. Buehl, USMC
Director
Facilities and Services Division
Installations and Logistics
Department

Marine Corps Exchange System

"THE MARINE CORPS has a long-range goal of providing on each of its bases and stations a convenient one-stop shopping area that houses, in close proximity to one another, all authorized resale and service activities in modern facilities with adequate parking. The Marine Corps also has the goal of providing its authorized patrons with the goods they want at a 20 percent or better savings over the competition within easy driving distance of the base. And finally, the Marine Corps has the goal of generating enough revenues from exchange operations to adequately support the Marine recreation program.

"How successful has the Marine Corps been at reaching these goals?

"Of the 21 major bases with exchange complexes, the Corps evaluates its exchange facilities as follows: 10 are "excellent to outstanding," nine "adequate" and two "inadequate." Replacements for the two inadequate exchanges at Camp Elmore and Henderson Hall, both in Virginia, are under way. Completed and put in operation in 1982 were the main exchange complex at Cherry Point, N.C.; three branch exchanges at Camp Lejeune, N.C.; and a fast-food restaurant at Twentynine Palms, Calif. The Corps will continue to invest about $7 million a year in exchange facility improvement.

"The goal of providing patrons what they want at a 20 percent savings was met by the system but not by all exchanges within the system. Total exchange sales in 1982 were $395.6 million, an increase of 6.4 percent over 1981. Not bad, when one considers the Corps' population is stable and the inflation rate for department store merchandise in 1982 was 2.8 percent, leaving a real growth of 3.6 percent. Six exchanges did not have sales growth equal to, or better than, the inflation rate, indicating we failed to provide patrons with what they wanted at the right price. By patron and external survey, we are comfortable with our pricing policies. To better meet demand in 1983, the Marine Corps Exchange management will make a slight shift in emphasis by spending more time determining what our patron desires, and less time scouring the marketplace for merchandise sources.

"Marine Corps exchanges generated $24.9 million in profit in 1982, which was 6.3 percent of sales. This allowed a donation of $15.1 million to support recreation programs. A new policy relative to the support of local recreation funds was adopted in 1982, which guarantees annual support of $50 per man at each command with an exchange regardless of the exchange profit generated. For those exchanges that are marginal profit makers, increased emphasis is being placed on efficient operation of the services, such as the barber, beauty, dry cleaning and optical shops as well as the laundries that are provided through the exchange.

"In summary, Marine exchanges have logged another successful year."

Col. W.R. Irwin, USMC
Head
Marine Corps
Exchange Service Branch

Navy Resale & Services Support Office

THE NAVY EXCHANGE business strategies, developed in 1981, were implemented last year with very good results. Strategies focused on three major areas of the business during FY 1982: providing measurable savings to authorized patrons; recapitalizing the program and increasing funds generated to support Navy MWR programs. Each of these was successful.

An independent price comparison survey was conducted by a nationally known market research firm in eight ConUS exchange marketing areas in February 1983. Results, computed by the research firm, show that savings at Navy exchanges are greater today than they have been for some time. Navy exchanges provided an overall savings of 23.3 percent when prices were compared with those in the commercial sector.

The business strategy really took hold in cost containment and improved profit. Net program profit for FY 1982 was $70 million, an increase of 19.5 percent over the previous year. The strong profit performance enabled Navy exchanges to provide $44.3 million in support to Navy MWR programs. This exceeds planned contributions by $1.3 million. The balance of the profit is reinvested in the business in terms of renovation and construction of facilities, purchase of new equipment and the increased cost of inventory.

A review was made of the strategies by top managers from the field and the headquarters in April. Based on system performance and current economic conditions, the strategies were updated, successful strategies were given greater emphasis and those proven to be of minimal value were dropped. The thrust for 1983 is sales, continued savings for exchange customers and improved marketing programs with renewed emphasis on serving the enlisted community better.

NAVRESSO will continue those programs that have provided significant savings for our enlisted personnel: the Navy Exchange Private Label, Budget Merchandise and Green Tag specials.

Customer response to the Navy Exchange Private Label exceeded expectations. Sales for the first few months were $400,000 higher than anticipated and sales for the first quarter of FY 1983 were approximately $1.5 million.

First introduced in October 1982, the initial 52 items were well received by patrons who enjoyed savings of up to 40 percent. To date, 67 items are available in Navy exchanges, including recently introduced cough and cold preparations, sanitary napkins and fitted disposable diapers. In August private label vitamins are scheduled to be included in the line of Navy Exchange Brand items. On all private label merchandise, quality assurance is maintained through periodic testing of products at random from the store shelves.

NAVRESSO is projecting sales of about $8 million in its private label products for this year. Indications are that the sale of national brand items have not decreased significantly. Exchanges consider private label sales to be additional sales from customers who were shopping at commercial stores for their private label merchandise.

Budget merchandise continues to be an integral part of the merchandise selection at Navy exchanges. Budget sales increased by $5.4 million in FY 1982. The parade of increases was led by family shoes and junior sportswear, which showed sales increases of 56.6 prercent and 55.3 perrcent respectively in Budget Merchandise. Overall sales in budget items is expected to reach $28 million this year.

The new Fashion Distribution Center in Bayonne, N.J., opened in April. The center, occupying 40,000 square feet, has an integrated power and manual conveyor system to process both hanging goods and flat merchandise.

More than $2.5 million worth of garments were processed in the first month of operations, primarily women's ready-to-wear. By late summer, the center will be processing a full range of seasonal and fashion wear for men, women and children. It is anticipated that about $30 million in soft goods will be processed by the center annually. In FY 1983, a savings of $380,000 are anticipated as a result of lower freight costs and consolidated purchase orders.

Sales promotion is being given more emphasis this year. Major sales events include the Spring, Back-to-School, Navy Birthday and Christmas sales. These are supplemeted by 64 departmental sales events throughout the year, which are supported by sign kits, flyers with color photographs and other promotional materials produced by NAVRESSO and provided to exchanges. Additionally, Navy Exchange Sales Events are being advertised in various publications read by Navy people.

NAVRESSO and Navy exchanges are using vendor co-operative advertising support whenever it is available. Vender co-op advertising support is applicable only when reduction in price in lieu of advertising allowances cannot be obtained. All products included in NAVRESSO promotional advertising are selected on the basis of their contribution to achieving customer traffic into the exchange and their popularity as good values. A product is not advertised solely because vendor advertising allowances are available, nor is a product excluded from advertising because of a lack of vendor advertising allowance.

As the marketplace changes, the Navy Exchange Program has to review its methods of doing business in order to remain effective.

Direct purchases from prime sources has been the general procurement policy under which Navy exchanges operate, and with few exceptions, NAVRESSO continues to purchase directly from prime sources. However, certain classifications of merchandise traditionally have been purchased through wholesalers and distributors. These include cigars and smoking accessories, frozen foods, records and tapes, paperback books and magazines. This decision to use wholesalers in these classifications has been beneficial for the entire system.

Working closely with the field, NAVRESSO is taking a look at the subject of buying candy and certain other categories from a distributor. This procedure is being evaluated, and the advantages and disadvantages are being reviewed to arrive at a decision based on sound business judgment that fully considers the economics associated with distributor vs. direct buying.

Efforts have been under way to improve the operations of exchanges that were performing below their potential. During FY 1982 Navy exchange operational assistance teams visited 41 exchanges to improve operations and profitability. Travel and per diem costs associated with team visits were about $100,000; however, the exchanges that were visited generated $3.7 million more in profits in FY 1982 than in the previous year — a very nice return on a $100,000 investment.

Assistance team visits are continuing this year with additional emphasis on merchandising to improve sales growth and strengthen inventory control. In all, 38 exchanges with potential for marked improvement will be visited this year.

New and replacement Navy exchange facilties continue to come on line. So far this year, Navy Exchange Shopping Centers have opened at Willow Grove, Pa., Roosevelt Roads, Puerto Rico, and Atsugi, Japan. A big shopping center will be opening in August at Miramar and a sporting goods center is scheduled to open in September at Norfolk.

The Navy Exchange Program continues to make progress in its goal of serving the men and women of the Navy and the Navy family.

IN THE NAVY Commissary Store Program, sales for the first six months of FY 1983 were $346.9 million, an increase of 1.5 percent over the same period last year. Adjusted for inflation and three fewer selling days, real sales growth was 2.2 percent. Grocery sales were $259.7 million, which is 2.5 percent higher than last year, and this indicates a positive customer response to an improved product mix and an expanded product line as a result of the commissary business strategy.

Savings at Navy commissary stores in ConUS were 20.9 percent, validated by the same independent marketing research firm that conducted the price comparison surveys of Navy exchanges. NAVRESSO anticipates that the savings at commissary stores may be even greater than what the survey results showed because at the time of the survey, Navy commissary stores had a variable surcharge averaging 6 percent in place. A month after the survey was conducted, Navy commissary stores implemented a standard five percent surcharge, which provides even greater savings to commissary store shoppers.

Implementation of the standard surcharge has generally gone smoothly. Most patrons understand why the method of applying the surcharge was changed from including the surcharge in the shelf price to applying it at the cash register, as a result of an intensive customer information program. However, there are still some patrons who feel that the surcharge is some sort of a tax that they never had to pay before. The OICs are continuing to educate commissary patrons about the surcharge.

To provide better sevice to patrons, NAVRESSO has launched two tests projects, one at Charleston and another in San Diego. In February 1983 NAVRESSO received appoval from the chief of Naval Operations to conduct a one-year test sale of cigarettes and soda at the commissary stores at the Naval Station and Naval Weapons Station, Charleston. Results of the first two months of the test show that overall commissary sales at these two stores were up by 17 percent, and the percent of cigarette and soda sales to total grocery sales was 9.8 percent. This indicates an increase in customer traffic. Results will continue to be analyzed during the test period.

The second test will begin shortly in the San Diego area to determine the effectiveness of receiving direct commissary store support from a single distributor. Analysis of sources of supply showed that a single supplier provided more than 40 percent of the merchandise stocked by Navy commissary stores in the area.

Under the test procedures, the stores will transmit their orders directly to the distributor, who will pack, label and palletize merchandise in shelf-stock quantities for delivery to the stores. This method is expected to enable patrons to select from 7500 to 8000 line items, vs. the ConUS average of 5000 items; products will be fresher and the stores will have a higher in-stock position. Funds saved on commissary store warehouse labor can be reprogrammed to the hiring of additional cashiers so that stores can operate for more hours.

Additional benefits that can be derived from this test include a reduction of commissary warehouse cube by about 40 percent, less inventory investment and higher stock turns.

NAVRESSO is looking into other areas in which stores depend on a single distribution source with a view toward conducting similar tests.

A major initiative of the Commissary Sore Business Strategy is to increase store hours of operation to provide more convenient service to patrons. Surveys have been conducted at all commissary stores to determine which days and hours are most desirable for patrons. Within existing labor resources, several commissary stores (Jacksonville, Little Creek, Great Lakes, Moffett Field, Miramar and Pearl Harbor) have expanded hours of operation. Overall, there has been a net increase of 124.5 operating hours per week in the first half of FY 1983.

With the implementation of scanning systems at Newport and Pearl Harbor, there are now 29 Navy commissary stores with scanners. These stores represent 73 percent of the total number of cash registers in ConUS and account for 80 percent of ConUS sales. Current plans call for the installation of scanners at Bangor and Memphis by the end of this fiscal year.

The new commissary store at Pensacola is the first scanning site in the Navy Commissary Store Program to begin scanning meat department items. The feasibility of incorporating this feature at Pearl Harbor is being investigated and modification of other store scanners to accomodate meat scanning will be considered if the results at Pensacola are good.

Fifty-three Navy commissary stores have been identified for contracting out of night shelf stocking under the Commercial Activities Program. Of these, 26 contracts have been awarded and 24 are in various stages of the contract process. The National Industries for the Severely Handicapped has been identified as a potential contractor for 24 of the commissary stores; 15 contracts have already been awarded and others are in progress.

The Navy Commissary Store facilities improvement program includes three new store openings this fiscal year. A new commissary store, colocated with the Navy exchange, opened at NAS Pensacola in April. The new store includes a bakery, deli, and expanded grocery, meat and produce departments. Two new stores will be opening in August — a 77,000 square-foot store at Miramar and a 44,000 square foot store at Bangor, Wash. Delis and bakeries are included at each of these new stores. Navy commissary stores are working toward providing the kind of service that draws customers who have turned to shopping elsewhere back into their stores on base by providing better merchandising and promotions and friendly and efficient service in clean and attractive facilities. The goal is to improve the commissary stores and thereby improve the quality of life for the patron.

State Department Co-operatives

THE STATE Department's Office of the Deputy Assistant Secretary for Operations provides general policy and guidance for some 120 American employee recreational associations at diplomatic posts worldwide. These associations are voluntarily organized at-post to provide benefits for all U.S. government employees and their families in the area and are supported entirely by nonappropriated funds.

One of the communications media used by this office to offer guidance is its quarterly newsletter, *The Newsgram*. Because of logistics difficulties in many areas of the world, the newsletter is distributed by cable.

Most association stores are very small, carrying only limited quantities of staple food items that Americans consider to be the ingredients of a balanced diet. Many of the associations also carry liquor and cigarettes. The American brands are desired by the employees, and they are in demand at the many functions a diplomatic post supports.

Some of the associations also receive income from snack bars, clubs, recreational facilities and rentals of vehicles and cabins. Space and facilities are provided by the State Department, but the associations are fiscally responsible only to themselves.

Shipments of food items are not coordinated by the State Department. Most of the local associations have been in existence for years, and each association hires its own civilian manager (usually a national from the host country) and this manager makes his or her own procurement arrangements.

Arrangements are varied. However, typical arrangements are with stateside wholesalers who specialize in overseas shipments. These wholesalers work out arrangements with dispatchers (freight forwarders) to deliver foodstuffs and other items to the overseas locations.

There are long-established buying patterns with wholesalers and dispatchers in Miami and New York on the East Coast and with NAVRESSO on the West Coast. NAVRESSO sells and delivers goods under a letter of understanding between each individual association and NAVRESSO's supply depot in Oakland, Calif. Occasionally, some associations purchase from other DoD locations.

In any case, the association members pay for the purchasing and delivery services through the markup on merchandise and through a deposit made to their local association. The deposit usually runs several hundred dollars, and is refundable when the individual or family is reassigned.

Prices charged at the State Department associations tend to be high by commissary standards because they must also include a markup to cover the transportation cost and the cost of the civilian manager hired by each local association. Often 30 percent to 40 percent of the price paid for merchandise is to cover these costs.

In 1982 worldwide sales for the system were estimated at about $50 million. This figure includes income from the sale of food, liquor, cigarettes and from other association activities, such as operating snack bars, clubs, swimming pools and tennis courts.

Troop Support Agency

"We in the Army commissary business are dedicated to improving service and savings by increasing sales to our authorized customers, and we are making real progress. Army commissary sales totaled $1.5 billion last year, and we predict more real growth of about $4 million to $5 million in 1983.

"Since last July, TSA has opened five commissaries and annexes. Each time we open a new store or annex or build new, larger stores to handle increased sales, the challenge must be met by stretching our present resources. Our long-range program for construction of new commissaries calls for 20 new stores during the next five years. The program is funded entirely with customer surcharge dollars. These larger, modern structures will support more adequate display of products and meet customer needs.

"I'm proud to announce that TSA is the first of the military commissary systems to initiate the multi-stop container shipment to Europe. Using this system, one container is used to transport subsistence items to more than one commissary overseas; in the past one container was used for each commissary. Using multi-stop, our commissaries with limited storage space can order smaller quantities, thus conserving space for other desired products and reducing transportation costs of these one-container shipments. We recently told the Defense Personnel Support Center that we want to increase multi-stop shipments from six to 19 monthly. Initial expansion shipments should begin arriving in Europe in July.

"We are proceeding with studies concerning contracting out of Army commissaries, the reorganization of the European Commissary Region and other management initiatives that should improve the efficiency of the Army commissary system and better enable us to continue to provide quality merchandise at the lowest practical cost for our soldiers, family members and other authorized customers."

Brig. Gen. Eugene L. Stillions Jr.
USA
Commander
U.S. Army Troop Support Agency

TSA, in accordance with guidance set forth in Office of Management and Budget circular A-76 for the Commercial Activities Program, reissued solicitations to private industry March 25, for store operation functions (storage and issue, shelf stocking, produce and meat processing and checking) at Fort Leonard Wood, Mo., and Yuma Proving Ground, Ariz., commissaries. The solicitation period closed May 16.

The Source Selection Evaluation Board convened at TSA on May 23 to begin evaluating the firm bids submitted by private industry. The board's first consideration in the evaluation process to determine the most responsible and responsive bidder is that the contractor be technically capable. The second phase of the process is the cost evaluation. Selection of the most responsible and responsive bidder is scheduled for July 15. Once the selection is made, a detailed cost comparison analysis will be made between the government's in-house bid and the contractor selected. Completion of the cost comparison is scheduled for July 22.

Conversion to a commercial contract will be considered only if the cost comparison indicates contracting will be more cost effective. A successful bidder would be one that indicates he can operate the commissary at a 10 percent savings in personnel costs. The conditional award is scheduled for July 29 after which a public review period will follow. The study is scheduled to be submitted to Department of the Army Aug. 19 for approval. Conversion, if that is the decision, is scheduled for Dec. 1.

The Automated System for Army Commissaries has been converted to VIABLE equipment at Headquarters, Northeast Commissary Region, Fort Meade, Md. Other regions will be converted as VIABLE is extended to those sites. This transition is the first step in achieving state-of-the-art technology in commissaries. VIABLE will be extended to the stores initially for input, editing and balancing, telecommunication of data for batch processing in ASAC at the region and reports back to commissaries. Commissaries will also have on-line inquiry capability against the ASAC data base. Regions will have interactive capability for cataloging functions such as adding new items and price changes. VIABLE is suited for automation to support central management under the ASAC which will be replaced by the Army Commissary Automated System.

Scanning is operational in the commissaries at Forts Lee, Va., Belvoir, Va., and Benjamin Harrision, Ind. Scanning has been approved for the new store at Fort Leavenworth, Kan.

Although TSA publishes the Commissary Authorization List which provides a listing of commodities authorized for stockage in Army commissaries, it does not publish a mandatory line item stock list. Detailed and specific guidance is left to the discretion of the regional office. Commissaries are authorized to stock 4000 to 6500 line items with regional approval.

Product selection, shelf space allocation and store resets are joint region and commissary functions. The merchandise committee, composed of region personnel and commissary officers, meets quarterly to review items offered for addition or deletion and items in the regional master catalog.

Product movement, store size and configuration determine actual shelf space allocation for each commodity or line item. Whenever a store or commodity reset is needed, the region and commissary work together to accomplish the reset. Complete store resets are done prior to new store openings and during nonoperational periods. Generally, regions reset one or two commodities at a time in conjunction with commodity review. In some instances, vendors provide assistance for resets of commodities that relate to their product line.

The primary mission of the Army commissary system is to provide quality merchandise to authorized customers at the lowest possible price. The latest triennial survey, conducted throughout Army commissaries in the United States, revealed customer savings of 24.91 percent.

Since October 1 when the Prompt Pay Act became effective, interest payments have amounted to only $557.42 on disbursements of $587.8 million. Discounts earned amount to $2.4 million for the same period.

It has had considerable impact on personnel at the store, region and TSA headquarters. Store employees must forward receiving reports expeditiously so that the regional headquarters can meet the prescribed due dates. The region or TSA headquarters must return invoices to the vendor if they do not contain valid data.

An efficient suspense file system is a "must" to insure that payment is made by the due date to preclude the payment of interest or early payments. Continental U.S. commissary regions have had to hire additional personnel to perform associated tasks that are required to comply with the terms of the Prompt Pay Act. In addition, TSA personnel work overtime each month. Their efforts are obvious.

The 1983 Department of Defense Appropriation Bill establishes a ceiling of $590 million as the amount of appropriated funds which may be used for commissary support for all services. This ceiling covers military and civilian personnel and nonpersonnel costs including those for overseas transportation authorized by DOD directives.

The Congressional ceiling imposed on DOD is not intended to decrease the level of commissary support to soldiers and their families and other authorized customers, but is imposed to make the system more efficient and to assure compliance with existing laws and regulations.

Several actions are underway to improve the operations of the European Commissary Region, Zweibrucken, Germany. One of the major actions is to reorganize the region. The very size, dispersion and complexity of the Army Commissary System in Europe has presented a tough management challenge. These challenges were highlighted when problems surfaced in spring 1982 that focused on EURCOR's interface with suppliers and the need for stronger controls against fraud and abuse. There was an investigation to isolate the alleged cases of fraud and two vendors were indicted. A special Army Task Force was formed to review the voluntary price reduction and item selection procedures.

During the investigation, the systemic factors of a very broad span of control and lack of adequate automatic data processing and telecommunications support surfaced. Reorganization to reduce the span of control had been studied before and the data systems support needs were reorganized.

Based on the findings and recommendations of the initial Army Task Force, TSA formed the EURCOR '82 Task Force to implement the approved plan. One objective was to reduce the region's span of control. For this purpose, an intermediate level of mangement or districts will be established. Seven districts are being formed to oversee the operations of approximately seven to 14 subordinate commissaries. Districts will report to EURCOR headquarters.

The reorganization will be supported by an operational distributed data processing system using commercial dial-up batch telecommunications daily from annex to store and stores and districts to a regional data center. The RDC will actually provide the central processing and telecommunications support for automated system and property accountability. The region will be supported by on-line interactive terminals to the RDC. Each district and commissary will also have and operate remote minicomputers that serve as job entry stations supporting front-end processing and machine to machine communications. Annexes and commissaries will utilize portable data entry devices to further support source data entry and telecommunications. System outputs from the RDC will be telecommunicated to the appropriate user.

The Agency's objectives for the reorganization are to strengthen the organization in Europe for management, control and operation of commissaries by establishing the new districts that reduce the region's span of control and improve operational support; provide a distributed data processing system with telecommunications between annex, commissary, district and region; provide for single "source document" commissary level input to record or update supply and financial records; provide a data base of complete and timely data for retrieval by management; minimize manual records at the store; maintain proper audit trail and automate store property accounting.

The system is being done inhouse within the Army, is on schedule and is expected to be operational early next year.

Veterans Canteen Service

THE VETERANS Canteen Service is a widespread organization with canteens in each Veterans Administration medical center — 172 in all, including one in San Juan, Puerto Rico. For the first time in VCS' 37-year history, in February 1983, all canteen chiefs were brought together with key field office and central office staff for a national VCS conference in St. Louis, Mo. The conference theme was "One VCS."

During the four days, the chiefs received intensive training sessions in food and retail merchandising, personnel and labor relations, communications and time management. They also participated in sessions that gave an overview of the VA's building management, procurement and supply and security activities. They toured the national VCS Finance Center, where they received a comprehensive orientation to the VCS' financial operations.

At the conference, VCS' newly appointed director, Richard E. Percival, personnally presented plaques to the 22 chiefs whose canteens received the coveted Outstanding Canteen Performance Award for 1982. Mr. Percival has been with the VCS for 35 years and served as deputy director for operations prior to being named director.

The finance center is undergoing a certain amount of renovation in preparation for Phase I of the ADP financial management information system. It is expected to be operational by Oct. 1. Once installed, the system will enable VCS to gather and process financial information in a more efficient and timely manner. For example, VCS' current system produces financial reports on a quarterly basis. The new system will produce statements of income and expenses, departmental inventory data sales and budget information, accounts receivable data, accounts payable and other data on a monthly basis.

It will also provide access to all data base files from VCS' central office and the three VCS field ofices. This will give VCS' central office and field office management the oportunity to design and extract any report involving their areas of jurisdiction. A second phase, which involves on-line recording of transactions through the NCR cash register network at all canteens, is under consideration for installation in the near future.

As a congressionally mandated, independent organization within the Veterans Administration, VCS is charged with providing items or services of convenience or necessity to America's hospitalized veterans. VCS runs retail stores, cafeterias and vending machine food operations and offers such services as barber and beauty shops, dry cleaning and laundry, flowers, magazines, newspapers and photo developing. A secondary mission is to feed VA personnel, visitors and volunteers at the medical centers.

In FY 1982 VCS took in a total of $170,271,703. Retail sales were $100,480,853, and all food sales were $65,241,555. Barber shops and other services contributed $4,549,295. Through its revolving fund and from these sales, VCS paid all its expenses, including salaries (there are approximately 3800 VCS employees nationwide). VCS makes an annual payment to the VA for rent, utilities and other services provided by the medical centers. By using income from its larger operations to help defray the costs of smaller, less profitable canteens, the VCS is able to offer the same high level of service at each of its canteens, including the smallest and most remote.

VCS recognizes that its clientele is different statistically from those who shop the usual retail store. Generally, its customers are older, often in failing health and not well-to-do. It is very important, therefore, that VCS personnel always conduct themselves courteously, effectively and with a sense of caring. VCS has always emphasized such training for its employees. Each canteen holds weekly training sessions, field offices (with central office assistance) hold food and retail workshops, and the central office prepares various training materials for use throughout the service.

The latest project to be introduced is an extensive cash register training program. By increasing accuracy and efficiency at the checkout line, VCS customers are better served. The new program includes an operator's manual for each cashier, a loose-leaf supervisor's manual with training exercises and two 20-minute videocassettes (one for retail cashiers and one for cafeteria cashiers), which spotlights courteous behavior.

In 1982-83 VCS initiated an entirely new supervisory report system, eliminating many of the forms and updating others. A narrative report is now expected from each supervisor when a full or partial supervisory visit at a canteen is completed. This narrative gives the reader a more complete picture of exactly how an individual canteen operates. It is especially helpful to those who deal with the canteen, but are not part of VCS itself, such as the medical center director. To introduce the new report system, a supervisors' conference was held in December. Supervisors also took intensive courses in communication skills and time management. The conference was so successful that it is being repeated in 1983 with new course material.

Since canteens are located in VA medical centers, there must be a good rapport between the VCS and medical center directors and staff. A VCS advisory group was estalished. It is made up of five medical center directors, the three VCS field directors and three canteen chiefs. The group formulates ways to achieve better communications and cooperation between VCS and other center elements.

Internally, VCS established a council of chiefs comprised of six chiefs nominated by their peers to serve. This council has already met in St. Louis and participated in the evaluating of proposed financial reporting requirements. Future meetings will be scheduled and agendas established by the council itself.

Besides fulfilling its mandate to provide retail items and services to America's hospitalized veterans, the VCS serves as a morale booster. It offers a social environment that is also therapeutic — a store in which to shop, a cafeteria in which to relax, a place to bring friends and relatives for a cup of coffee. The veterans are pleased. In a recent VA patient satisfactory survey, VCS personnel received a 92 to 96 (on a scale of 100) score for attitude. The 74,000 randomly selected patient customers who gave their opinion of various VA medical center programs were saying that VCS employees rate among the VA's best.

Military Market INDEX

COMMISSARIES

		MARCH			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
AIR FORCE	CONUS	$160,886	$138,695	+16.00	$429,588	$394,835	+8.80
	OVERSEAS	31,829	27,609	+15.28	86,010	79,473	+8.23
	TOTAL	192,715	166,304	+15.88	515,598	474,308	+8.71
ARMY	CONUS	108,680	99,216	+9.54	307,112	286,000	+7.38
	OVERSEAS	35,672	29,640	+20.35	102,544	87,152	+17.66
	TOTAL	144,352	128,856	+12.03	409,656	373,152	+9.78
NAVY	CONUS	49,454	51,209	-3.43	147,254	148,319	-0.72
	OVERSEAS	5,762	6,051	-4.78	17,007	17,578	-3.25
	TOTAL	55,216	57,260	-3.57	164,261	165,897	-0.99
MARINES	CONUS	12,189	11,943	+2.06	33,828	32,196	+5.07
	OVERSEAS	197	188	+4.79	538	498	+8.03
	TOTAL	12,386	12,131	+2.10	34,366	32,694	+5.11
COAST GUARD	CONUS	317	234	+35.47	862	835	+3.23
	OVERSEAS	161	196	-17.86	554	594	-6.73
	TOTAL	478	430	+11.16	1,416	1,429	-0.91
ALL COMMISSARIES	CONUS	331,526	301,297	+10.03	918,644	862,185	+6.55
	OVERSEAS	73,621	63,684	+15.60	206,653	185,295	+11.53
	TOTAL	$405,147	$364,981	+11.00	$1,125,297	$1,047,480	+7.43
GROCERY STORES	U.S.[1]	$20.123 bil.	$18.956 bil.	+6.16	$57.442 bil.	$55.387 bil.	+3.71

EXCHANGES

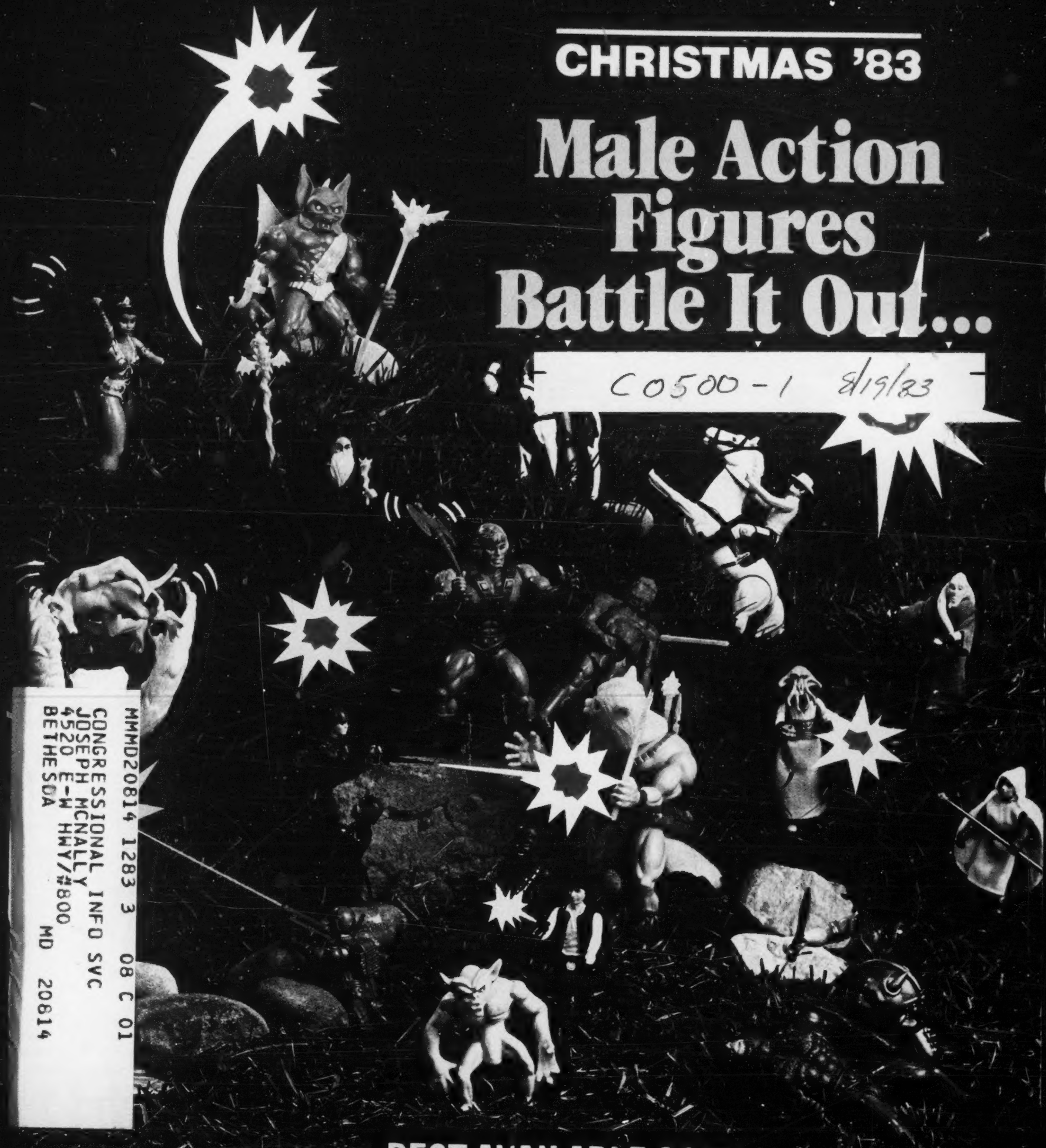
		MARCH			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
AAFES	CONUS	$221,807	$215,434	+2.96	$606,475	$581,583	+4.28
	OVERSEAS	154,077	148,239	+3.94	434,141	413,707	+4.94
	TOTAL	375,884	363,673	+3.36	1,040,616	995,290	+4.55
NAVY	CONUS[2]	82,908	83,797	-1.06	223,866	226,917	-1.34
	OVERSEAS[2]	36,700	33,670	+9.00	98,579	94,439	+4.38
	TOTAL[2]	119,608	117,467	+1.82	322,445	321,356	+0.34
MARINES	CONUS	29,441	27,916	+5.46	76,702	78,328	-2.08
	OVERSEAS	4,974	4,808	+3.45	14,559	13,413	+8.54
	TOTAL	34,415	32,724	+5.17	91,261	91,741	-0.52
COAST GUARD	CONUS[3]	5,989	5,944	+0.76	16,227	16,346	-0.73
	OVERSEAS[3]	817	663	+23.23	2,212	1,822	+21.41
	TOTAL[3]	6,806	6,607	+3.01	18,439	18,168	+1.49
MAIL ORDER	CONUS[4]	1,056	1,450	-27.17	4,014	3,226	+24.43
	OVERSEAS[4]	3,426	4,941	-30.66	12,011	11,149	+7.73
	TOTAL[4]	4,482	6,391	-29.87	16,025	14,375	+11.48
ALL EXCHANGES	CONUS	341,201	334,541	+1.99	927,284	906,400	+2.30
	OVERSEAS	199,994	192,321	+3.99	561,502	534,530	+5.05
	TOTAL	$541,195	$526,862	+2.72	$1,488,786	$1,440,930	+3.32
DEPARTMENT STORES	U.S.[1]	$8.417 bil.	$7.751 bil.	+8.59	$21.154 bil.	$19.851 bil.	+6.56

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM · ARMY TIMES PUBLISHING COMPANY · AUGUST 1983 $2.00



CHRISTMAS '83

Male Action Figures Battle It Out...

C0500-1 8/19/83

MMMD20814 1283 3 08 C 01
CONGRESSIONAL INFO SVC
JOSEPH MCNALLY
4520 E-W HWY/#800
BETHESDA MD 20814

BEST AVAILABLE COPY

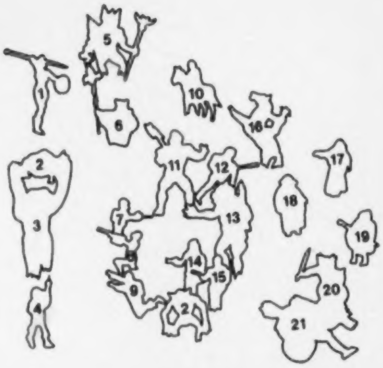
Military Market serving the military retail system

AUGUST 1983/VOLUME 34/NO. 8
Army Times Publishing Company

contents

Editorial Comment 4
Survey 7
News 9
Merchandising Bits & Pieces 12
Opinion 14
Audio 16
The Consumer Electronics Show, starring the compact audio disc.
Holiday Preview 22
A look at what's hot and what's not for Christmas '83.
At the End of the Pipeline — Vicenza 30
Part 1 in a four-part series on remote overseas stores.
Frozen Foods 34
The frigid sales picture may be over for this industry.
System of the Month: Coast Guard 37
A tour of the new store in Mobile, Ala.
Soups 40
Low-sodium, other specialties give life to a mature market.
New Products 43
Supplier Notes/Troop Maneuvers 45
Military Market Index 46
Com-Ex Comix/Ad Index 47
Calendar 48

COVER PHOTO BY JOE MATERA
COVER DESIGN BY GARNETT SULLIVAN AND MIRIAM MACPHERSON



ON THE COVER: (1) Teela, warrior goddess, from Mattel's Masters of the Universe series; (2) Alien demon, from Galoob's Blackstar series; (3) Hoth Wampa, Kenner's "Return of the Jedi" series; (4) G.I. Joe machine gunner, Hasbro; (5) Gargo the Vampire Man, Galoob's Blackstar series; (6) Kelek, evil sorcerer, LJN's Advanced Dungeons & Dragons series; (7) G.I. Joe infantry trooper, Hasbro; (8) G.I. Joe Cobra enemy, Hasbro; (9) G.I. Joe bazooka soldier, Hasbro; (10) Tonto and his Indian pinto pony Scout, Gabriel; (11) He-Man, Mattel's Masters of the Universe; (12) Manglord, C.B.S. Toys/Ideal; (13) Tonga, the Leopard Man, Galoob's Blackstar series; (14) Chewbacca, Kenner's "Return of the Jedi" series; (15) Han Solo, Kenner's "Return of the Jedi" series; (16) The Lone Ranger and his great white stallion Silver, Gabriel; (17) Bib Fortuna, Kenner's "Return of the Jedi" series; (18) Squid Head, Kenner's "Return of the Jedi" series; (19) Mercion, good Cleric female, LJN's Advanced Dungeons & Dragons series; (20) Warduke, evil fighter, LJN's Advanced Dungeons & Dragons series; (21) Stratos, winged warrior, Mattel's Masters of the Universe series.

Military Market is published 12 times a year by the Army Times Publishing Co., 475 School St. SW, Washington, DC 20024. Single copies, $2, except January Buyers Guide and July Almanac and Directory issues, $5 each. Yearly subscriptions within the U.S., $20; to civilian addresses outside the U.S., $25. Second class postage paid at Washington, DC, and additional mailing offices. Postmaster: Send address correction to Military Market, 475 School St. SW, Washington, DC 20024.

The material in this publication is copyrighted and may not be reproduced in whole or part without written permission of the publisher.

PRESIDENT: William F. Donnelly

EXECUTIVE VICE PRESIDENT: Henry L. Belber

VICE PRESIDENTS: Donald J. Garyantes (Production); Thomas B. Moore (Circulation); Robert E. Schweitz (Editorial); Joseph G. Varga (Advertising)

coming

September: Convenience stores, MCEX and more . . .
October: Off-base shoppers, Incirlik commissary
November: Convention coverage, fresh meat, Fulda PX
December: Merchandising the front end, Sigonella

EDITOR
Nancy Tucker
MANAGING EDITOR
Guy Lamolinara
ASSOCIATE EDITORS
Jay Blucher, David B. Cooley
EDITORIAL ASSISTANT
Kathy A. Thomas
ATPUBCO NEWS SERVICE
Bruce Covill, Chief; Martha Craver, Tom Philpott, Paul Smith

DESIGN DIRECTOR
Gen Doherty
ART DIRECTOR
Jack Auldridge
ART CONSULTANT
Garnett Sullivan
STAFF PHOTOGRAPHERS
Joe Matera, Kate Patterson
ADVERTISING MANAGER
Vincent Santoro

CIRCULATION
S.C. Parojinog
ADVERTISING PRODUCTION
Phyllis King
EXECUTIVE OFFICES
475 School St. SW, Washington, DC
20024. Phone (202) 554-7180

ABP
BPA

Copyright Army Times Publishing Co. 1983, Army Times Publishing Co. — Trade Division, Military Market (COMEX). (USPS 911-580)

Military Market index

Commissaries

		APRIL			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
Air Force	CONUS	$150,939	$141,853	+6.41	$580,527	$536,688	+8.17
	OVERSEAS	30,571	28,285	+8.08	116,581	107,759	+8.19
	TOTAL	**181,510**	**170,138**	**+6.68**	**697,108**	**644,447**	**+8.17**
Army	CONUS	103,740	102,544	+1.17	410,852	388,544	+5.74
	OVERSEAS	32,550	31,096	+4.68	135,094	118,248	+14.25
	TOTAL	**136,290**	**133,640**	**+1.98**	**545,946**	**506,792**	**+7.73**
Navy	CONUS	64,832	52,113	+24.41	212,086	200,431	+5.81
	OVERSEAS	7,348	6,157	+19.34	24,355	23,735	+2.61
	TOTAL	**72,180**	**58,270**	**+23.87**	**236,441**	**224,166**	**+5.48**
Marines	CONUS	11,080	11,145	-0.58	44,908	43,341	+3.62
	OVERSEAS	205	185	+10.81	743	683	+8.78
	TOTAL	**11,285**	**11,330**	**-0.40**	**45,651**	**44,024**	**+3.70**
Coast Guard	CONUS	230	222	+3.60	1,092	1,057	+3.31
	OVERSEAS	166	192	-13.54	719	787	-8.64
	TOTAL	**396**	**414**	**-4.35**	**1,811**	**1,844**	**-1.79**
All Commissaries	CONUS	330,821	307,877	+7.45	1,249,465	1,170,061	+6.79
	OVERSEAS	70,840	65,915	+7.47	277,492	251,212	+10.46
	TOTAL	**$401,661**	**$373,792**	**+7.46**	**$1,526,957**	**$1,421,273**	**+7.44**
Grocery Stores	U.S.[1]	**$20.375 bil.**	**$19.438 bil.**	**+4.82**	**$77.862 bil.**	**$74.825 bil.**	**+4.06**

Exchanges

		APRIL			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
AAFES	CONUS	$233,536	$228,555	+2.18	$840,011	$810,138	+3.69
	OVERSEAS	163,536	153,696	+6.40	597,678	567,404	+5.34
	TOTAL	**397,072**	**382,251**	**+3.88**	**1,437,689**	**1,377,542**	**+4.37**
Navy	CONUS[2]	90,815	88,165	+3.01	314,681	315,082	-0.13
	OVERSEAS[2]	37,209	37,500	-0.78	135,788	131,939	+2.92
	TOTAL[2]	**128,024**	**125,665**	**+1.88**	**450,469**	**447,021**	**+0.77**
Marines	CONUS	28,917	28,141	+2.76	105,619	106,469	-0.80
	OVERSEAS	4,958	4,498	+10.23	19,517	17,911	+8.97
	TOTAL	**33,875**	**32,639**	**+3.79**	**125,136**	**124,380**	**+0.61**
Coast Guard	CONUS[3]	6,301	6,353	-0.82	22,528	22,699	-0.75
	OVERSEAS[3]	859	708	+21.33	3,072	2,530	+21.42
	TOTAL[3]	**7,160**	**7,061**	**+1.40**	**25,600**	**25,229**	**+1.47**
Mail Order	CONUS[4]	1,078	1,033	+4.36	5,092	4,260	+19.53
	OVERSEAS[4]	3,619	4,941	-26.76	15,630	16,090	-2.86
	TOTAL[4]	**4,697**	**5,974**	**-21.38**	**20,722**	**20,350**	**+1.83**
All Exchanges	CONUS	360,647	352,247	+2.38	1,287,931	1,258,648	+2.33
	OVERSEAS	210,181	201,343	+4.39	771,685	735,874	+4.87
	TOTAL	**$570,828**	**$553,590**	**+3.11**	**$2,059,616**	**$1,994,522**	**+3.26**
Department Stores	U.S.[1]	**$8.595 bil.**	**$8.297 bil.**	**+3.59**	**$29.755 bil.**	**$28.148 bil.**	**+5.71**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

9/15/83 C0500-1A

Military Market

MAGAZINE FOR THE MILITARY RETAIL PUBLISHING COMPANY SEPTEMBER 1983 $2.00

CANDY & GUM

Serving Up Elegance

MMMD20814 1283 3 09 C 01
CONGRESSIONAL INFO SVC
JOSEPH MCNALLY
4520 E-W HWY7#800
BETHESDA MD 20814

BEST AVAILABLE COPY

Military Market serving the military retail system

SEPTEMBER 1983/VOLUME 34/NO. 9
Army Times Publishing Company

contents

Editorial Comment 4

News 9

Survey 10

Merchandising Bits & Pieces 12

Opinion 14

Supplier Notes/Troop Maneuvers 18

New Products 19

Books and Magazines 20
Announcing that the print medium has NOT died.

Cover Article: Candy and Gum 23
Upscale chocaholic baby boomers. Not just kid stuff anymore.

System of the Month: MCEX 28
The Marines go in for ***PUBLIC RELATIONS?????!!!***

Hot Beverages 30
Scrambling for market shares in a mature business.

Convenience Stores 33
Changing life styles put new emphasis on quick shops.

Military Market Index 38

Com-Ex Comix/Ad Index 39

Calendar 40

COVER PHOTO BY JOE MATERA

CHOCAHOLICS DELIGHT: page 23

Military Market is published 12 times a year by the Army Times Publishing Co., 475 School St. SW, Washington, DC 20024. Single copies, $2, except January Buyers Guide and July Almanac and Directory issues, $5 each. Yearly subscriptions within the U.S., $20; to civilian addresses outside the U.S., $25. Second class postage paid at Washington, DC, and additional mailing offices. Postmaster: Send address correction to Military Market, 475 School St. SW, Washington, DC 20024.

The material in this publication is copyrighted and may not be reproduced in whole or part without written permission of the publisher.

PRESIDENT: William F. Donnelly

EXECUTIVE VICE PRESIDENT: Henry L. Belber

VICE PRESIDENTS: Donald J. Garyantes (Production); Thomas B. Moore (Circulation); Robert E. Schweitz (Editorial); Joseph G. Varga (Advertising)

---

coming

October: Off-base shoppers, Incirlik commissary
November: Convention coverage, fresh meat, Fulda PX
December: Merchandising the front end, Sigonella
January: Buyers Guide, commanders' outlooks for '84

EDITOR
Nancy Tucker
MANAGING EDITOR
Guy Lamolinara
ASSOCIATE EDITORS
Jay Blucher, David B. Cooley
EDITORIAL ASSISTANT
Kathy A. Thomas
ATPUBCO NEWS SERVICE
Bruce Covill, Chief; Martha Craver, Rick Maze, Tom Philpott, Paul Smith

DESIGN DIRECTOR
Gen Doherty
ART DIRECTOR
Jack Auldridge
ART CONSULTANT
Garnett Sullivan
STAFF PHOTOGRAPHERS
Joe Matera, Kate Patterson
ADVERTISING MANAGER
Vincent Santoro

CIRCULATION
S.C. Parojinog
ADVERTISING PRODUCTION
Phyllis King
EXECUTIVE OFFICES
475 School St. SW, Washington, DC
20024. Phone (202) 554-7180

BPA

Copyright Army Times Publishing Co. 1983, Army Times Publishing Co. — Trade Division, Military Market (COMEX), (USPS 911-580)

Military Market index

Commissaries

		MAY			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
Air Force	CONUS	$138,828	$133,783	+3.77	$719,355	$670,471	+7.29
	OVERSEAS	28,429	27,464	+3.51	145,011	135,222	+7.24
	TOTAL	**167,257**	**161,247**	**+3.73**	**864,366**	**805,693**	**+7.28**
Army	CONUS	104,895	101,608	+3.23	515,747	490,152	+5.22
	OVERSEAS	29,610	30,784	-3.81	164,704	149,032	+10.52
	TOTAL	**134,505**	**132,392**	**+1.60**	**680,451**	**639,184**	**+6.46**
Navy	CONUS	52,417	51,537	+1.71	264,503	251,968	+4.97
	OVERSEAS	6,087	5,972	+1.93	30,442	29,706	+2.48
	TOTAL	**58,504**	**57,509**	**+1.73**	**294,945**	**281,674**	**+4.71**
Marines	CONUS	11,087	10,526	+5.33	55,996	53,867	+3.95
	OVERSEAS	200	188	+6.38	943	871	+8.27
	TOTAL	**11,287**	**10,714**	**+5.35**	**56,939**	**54,738**	**+4.02**
Coast Guard	CONUS	217	303	-28.38	1,308	1,360	-3.82
	OVERSEAS	176	197	-10.66	895	983	-8.95
	TOTAL	**393**	**500**	**-21.40**	**2,203**	**2,343**	**-5.98**
All Commissaries	CONUS	307,444	297,757	+3.25	1,556,909	1,467,818	+6.07
	OVERSEAS	64,502	64,605	-0.16	341,995	315,814	+8.29
	TOTAL	**$371,946**	**$362,362**	**+2.64**	**$1,898,904**	**$1,783,632**	**+6.46**
Grocery Stores	U.S.[1]	**$20.501 bil.**	**$20.009 bil.**	**+2.46**	**$98.428 bil.**	**$94.834 bil.**	**+3.79**

Exchanges

		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
AAFES	CONUS	$246,882	$230,797	+6.97	$1,086,894	$1,040,935	+4.42
	OVERSEAS	160,064	156,297	+2.41	757,742	723,701	+4.70
	TOTAL	**406,946**	**387,094**	**+5.13**	**1,844,636**	**1,764,636**	**4.53**
Navy	CONUS[2]	93,188	90,522	+2.95	407,869	405,604	+0.56
	OVERSEAS[2]	39,092	35,423	+10.36	174,880	167,362	+4.49
	TOTAL[2]	**132,280**	**125,945**	**+5.03**	**582,749**	**572,966**	**+1.71**
Marines	CONUS	28,773	27,792	+3.53	134,392	134,261	+0.10
	OVERSEAS	4,792	4,918	-2.56	24,309	22,829	+6.48
	TOTAL	**33,565**	**32,710**	**+2.61**	**158,701**	**157,090**	**+1.03**
Coast Guard	CONUS[3]	6,382	6,308	-1.17	28,910	29,007	-0.33
	OVERSEAS[3]	870	703	+23.76	3,942	3,234	+21.89
	TOTAL[3]	**7,252**	**7,011**	**+3.44**	**32,852**	**32,241**	**+1.90**
Mail Order	CONUS[4]	1,136	1,073	+5.87	6,228	5,332	+16.80
	OVERSEAS[4]	3,925	3,803	+3.21	19,555	19,893	-1.70
	TOTAL[4]	**5,061**	**4,876**	**+3.79**	**25,783**	**25,225**	**+2.21**
All Exchanges	CONUS	376,361	356,492	+5.57	1,664,293	1,615,139	+3.04
	OVERSEAS	208,743	201,144	+3.78	980,428	937,019	+4.63
	TOTAL	**$585,104**	**$557,636**	**+4.93**	**$2,644,721**	**$2,552,158**	**+3.63**
Department Stores	U.S.[1]	**$9.159 bil.**	**$8.757 bil.**	**+4.59**	**$38.910 bil.**	**$36.905 bil.**	**+5.43**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

10/12/83

Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM ARMY TIMES PUBLISHING COMPANY OCTOBER 1983 $2.00

How ya gonna keep 'em down on the base after they've seen

Sears

and

Wards

and

K mart

and

Vons

and

Basics

and

Bradlees

and

Food Barn

and

Rose's

and

Best Products

and

Wal-Mart

and

W. Bell

and

H.E.B.

and

MMMD20814 1283 3 10 C 01
CONGRESSIONAL INFO SVC
JOSEPH MCNALLY
4520 E-W HWY/#800
BETHESDA MD 20814

REACHING THE OFF-BASE SHOPPER
page 42

PLUS: Concession management, tobacco products, H&BA, ALA convention calendar, food bank update and a contracted commissary in Turkey

BEST AVAILABLE COPY

Military Market serving the military retail system

OCTOBER 1983/VOLUME 34 NO. 10
Army Times Publishing Company

contents

Editorial Comment
News . . . . [illegible]
Merchandising Bits & Pieces 14
Survey 16
Health & Beauty Aids 18
Industry experts predict a healthy sales year.
Tobacco 30
Smokers are looking for more puffs for the dollar.
Displays — Your Most Powerful Selling Tool 33
Supplier Notes 38
Troop Maneuvers 40
Cover Story: Reaching the Off-Base Shopper 42
How the resale systems are coping with customer defections.
System of the Month/At the End of the Pipeline 52
A contractor runs an Air Force commissary in Turkey.
Concession Management 59
Getting to be the Big Daddy in resale system earnings.
ALA Convention Schedule 64
Food Banks Update 65
Why aren't more stores giving food to the poor?
New Products 68
Military Market Index 70
Com-Ex Comix/Ad Index 71
Calendar 72

COVER DESIGN BY GARNETT SULLIVAN

END OF THE PIPELINE: Page 52

Military Market is published 12 times a year by the Army Times Publishing Co., 475 School St. SW, Washington, DC 20024. Single copies, $2, except January Buyers Guide and July Almanac and Directory issues, $5 each. Yearly subscriptions within the U.S., $20; to civilian addresses outside the U.S., $25. Second class postage paid at Washington, DC, and additional mailing offices. Postmaster: Send address correction to Military Market, 475 School St. SW, Washington, DC 20024.

The material in this publication is copyrighted and may not be reproduced in whole or part without written permission of the publisher.

PRESIDENT: William F. Donnelly

EXECUTIVE VICE PRESIDENT: Henry L. Belber

VICE PRESIDENTS: Donald J. Garyantes (Production); Thomas B. Moore (Circulation); Robert E. Schweitz (Editorial); Joseph G. Varga (Advertising)

coming

November: Convention coverage, fresh meat, Fulda PX
December: Merchandising the front end, Sigonella
January: Buyers Guide, commanders' outlooks for '84
February: Frozen foods, audio, VCS

EDITOR
Nancy Tucker
MANAGING EDITOR
Guy Lamolinara
ASSOCIATE EDITORS
Jay Blucher, David B. Cooley
EDITORIAL ASSISTANT
Kathy A. Thomas
ATPUBCO NEWS SERVICE
Bruce Covill, Chief; Martha Craver, Tom Philpott, Paul Smith

DESIGN DIRECTOR
Gen Doherty
ART DIRECTOR
Jack Auldridge
ART CONSULTANT
Garnett Sullivan
STAFF PHOTOGRAPHERS
Joe Matera, Kate Patterson
ADVERTISING MANAGER
Vincent Santoro

CIRCULATION
S.C. Parojinog
ADVERTISING PRODUCTION
Phyllis King
EXECUTIVE OFFICES
475 School St. SW, Washington, DC
20024. Phone (202) 554-7180

ABPE

BPA

Copyright Army Times Publishing Co. 1983, Army Times Publishing Co. — Trade Division, Military Market (COMEX). (USPS 911-580)

REACHING OFF-BASE SHOPPERS

How to Get Them Back on Base

Rose's
Basics
Best Products
and
Wal-Mart
W. Bell
H.E.B.
Rose's

Increasing competition from civilian warehouse supermarkets and discount chains is making it difficult for base stores to compete for the off-base shoppers' dollars. A look at what the resale systems are doing — and could be doing — to attract more eligible shoppers.

By GUY LAMOLINARA
Managing Editor

THERE ARE nearly as many reasons given by resale system insiders for customer defections to civilian stores as there are insiders who give the opinions.

"They complain about the hours we are open," "They think the prices are too high" and "They say the stores are too crowded" were some of the responses to MILITARY MARKET's questions about getting off-base shoppers back on base and into commissaries and exchanges.

Customer defections to civilian stores is no new trend to the resale systems, which have been watching military personnel get hooked on 24-hour, seven day, credit card, discount shopping facilities for at least two decades. A July 1981 Rand Corp. study shows a definite problem in reaching military personnel and their families living off base. Results show that families living on base spend an average of 28.6 percent, or $623, more per year in the commissary than families who live off base.

The spending discrepancy for exchanges is even more discouraging: Personnel living in on-base family housing spend 42 percent more than those in off-base civilian housing, 36 percent more than all personnel who live off base (both civilian and military housing), and 23 percent more than the average expenditure of all active duty personnel and dependents.

The Rand survey also showed that those who need the savings most — enlisted personnel — use the commissaries least. When asked what percent of their income was spent in the commissary, more than three times as many enlisted (22.9 percent of the total) said they never bought groceries at commissaries; only 7.5 percent of all officers said "none." These figures are for marrieds and singles.

On the exchange side, personnel living in on-base family housing spent 42 percent more than those in off-base civilian housing, 36 percent more than all personnel who live off-base, and 23 percent more than the average expenditure of all active duty personnel and dependents.

The number of monthly shopping trips to the comstore was also greater for on-base shoppers, who purchased food from commissaries an average of 4.5 times per month, vs. 3.2 times per month for those in off-base civilian and military housing.

Making Patrons Aware

In the nearly one year since the American Logistics Association announced its Patron Awareness Program at last year's annual convention, "both our colleagues in military service and those in manufacturing, brokers and media members of the ALA have responded enthusiastically to this program. [It is designed to] increase the awareness to eligible patrons as to just what a big benefit commissaries and exchanges are," says Ann Lowell Allen, ALA's director of communications.

A 1983 attitude study, conducted by Counsel House Research for the ALA, polled 10,242 military personnel selected on a scientifically random basis; the survey was worldwide.

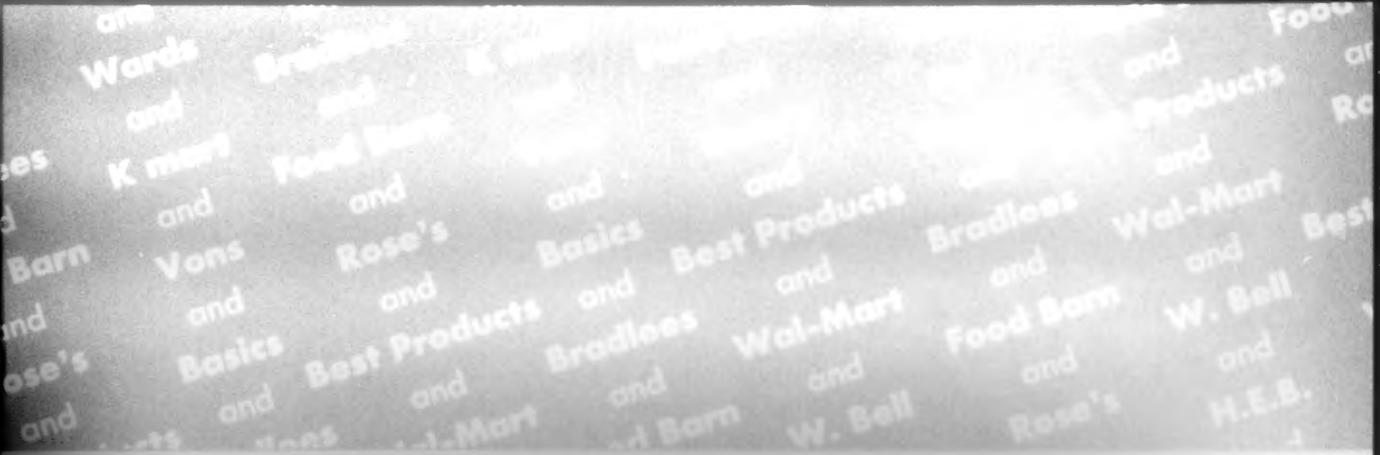
According to Allen, the survey was conducted "to fill a need that was articulated by individual commanders within the services, by people in the Office of the Secretary of Defense and by members on the Hill with responsibilities for the [resale] systems." Specifically, Allen says, the ALA wanted to verify and quantify the importance of the shopping benefit, "to fill an important need for verifiable statistics."

Results show that the commissary/exchange benefit is an important consideration in reenlistment, but that many eligible shoppers are not sufficiently aware of this benefit.

There is much work to be done in educating eligible patrons about their shopping benefits. For instance, a question concerning savings at commissaries showed that perceived savings are lower than actual savings: The majority of respondents said that commissary savings were less than 20 percent.

Specifically, eight percent of the respondents said there were no savings to be had by shopping in the comstore; 11 percent said there was from zero percent to five percent to be saved; 17 percent said they could cut their grocery bills by five percent to 10 percent by shopping in the commisary; 21 percent thought commissary prices were 10 percent to 15 percent lower than civilian stores. This means that 57 percent of the respondents do not realize that commissaries are required — and do — save their patrons at least 20 percent.

But some respondents got their numbers straighter: Eighteen percent answered 15 percent to 20 percent; fifteen percent said 20 percent to 25



percent, and 10 percent said 25 percent or more.

ALA's Patron Awareness Program is targeted at correcting that misperception about commissary savings. A few examples of what the association is doing and plans to do:

- Two ads promoting commissaries and two promoting exchanges are running in newspapers and magazines aimed at the military. These ads have also appeared in overseas editions of national consumer magazines; space is donated by the publishers.
- Point-of purchase materials have been developed to get slogans, such as "I'm smart. I shop on base." and "The commissary/post exchange. The best deal in town," into the stores. ("Each of the services has given their specific endorsement and support to the POP materials," Allen tells MILITARY MARKET, "so we are anticipating that you'll see them in every store. This will actually put ALA in the field, in the stores.")
- Looking further down the line, ALA is in the planning stages of some type of big consumer event, perhaps a sweepstakes or contest.
- In terms of publicity, the association is broadening its base beyond the resale systems. The ALA has spoken with retention and recruitment personnel in all the services to remind them of the strength of the shopping benefit. "We have let them know what our program is about. We are encouraging them to use the commissary benefit as an important tool in their reenlistment efforts," Allen says.

The association has also discussed publicizing the benefit with the armed services' advertising agencies. "We have let them know, 'Hey, here's a great benefit [that you should be promoting in your ads],'" she says.

The survey shows that the shopping benefit has a strong, positive influence on reenlistment. Fifty-six percent of enlisted, 79 percent of warrant and 63 percent of officers said the commissary privilege was important in their decision to reenlist. Results also showed that the commissary benefit is seen as being more important to servicemembers than the exchange.

Another survey finding was that the servicemember's perception of the importance of the military shopping benefit increased at a higher rate than did perceptions of the importance of other benefits, such as medical.

"We're not disputing that the medical benefit is the most important one to servicemembers. The real significance is the increase in importance of the shopping benefit over time," Allen says.

More detailed results of the survey will be presented at the annual convention, Oct. 9-12.

Millionaires or Damn Fools

The problem of losing customers to discount department stores and warehouse grocery stores is not taken lightly by resale system officials.

"Yes, it [not reaching the off-base shopper] is a problem and will re-

Average Expenditures in Exchanges By Active Duty Military Personnel

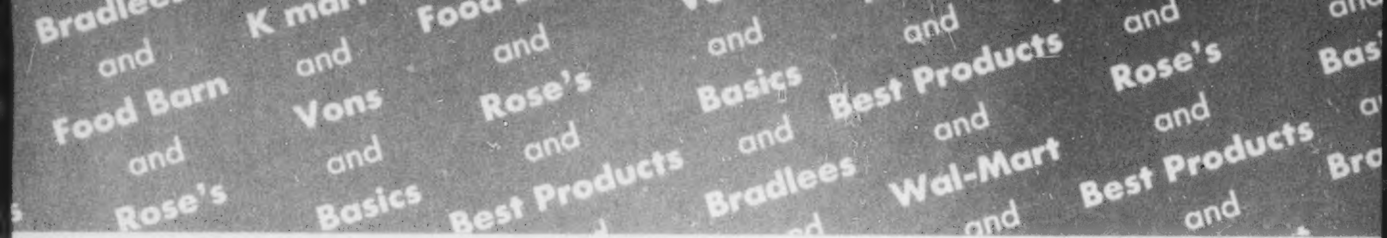
Housing	Monthly	Yearly
Off-base civilian	$98.31	$1,180
Off-base military	136.64	1,640
Combined off-base	103.00	1,236
On-base family	139.59	1,675
On-base bachelor (BOQ, BEQ, barracks, ship	111.83	1,342
Combined on-base	123.17	1,478
All active duty	113.20	1,358

SOURCE: The 1978/1979 DoD Survey of Officers and Enlisted Personnel by the Rand Corp.

Average Amount Spent in Commissaries By Military Families, By Type Of Current Housing Arrangements

Housing	Monthly	Yearly
Off-base civilian	$179.12	$2,149.44
Off-base military	196.47	2,357.64
Combined off-base	181.56	2,178.72
On-base family	233.53	2,802.36

SOURCE: The 1978/1979 DoD Survey of Officers and Enlisted Personnel by the Rand Corp.



REACHING OFF-BASE SHOPPERS

main so until AAFES can advertise in installation newspapers to those who live off installations," AAFES spokesman Marshall Sitrin tells MILITARY MARKET. "Currently, AAFES concessionaires can and do advertise, but the retail [division] does not," he says. "More than 50 percent of our active duty and 100 percent of our retired reserve and guard customers live off base. We can only reach them through specialized publications and when they come on the installation."

AAFES estimates that only about 20 percent of the military's disposable income goes into AAFES' coffers, an amount the system would like to increase, says Sitrin. The system could advertise, "however, we choose not to do so. But by the regulation, we can advertise in armed forces and civilian newspapers," he says. Jim Gildersleeve, assistant chief of AAFES' Sales and Management Branch, says, "The retail division wants to concentrate on what we are already into [in terms of advertising] — the tabloids that we hand out in the stores. We feel we would not get the return on investment that would make it worthwhile to do paid advertising in military papers." He says that overseas, AAFES places paid ads in "Stars & Stripes."

(According to DoD Instruction 1015.2, issued September 1981 and updated January 1982, exchanges and other MWR activities "must communicate their presence and the availability of the goods and services they offer to as many potential patrons as they can." Exchanges may purchase advertising in armed forces newspapers and civilian publications aimed primarily for distribution on military installations and to authorized MWR activity patrons.

(Since commissaries are appropriated fund activities, the rules are different. Commissaries are allowed to pay for such promotional items as flyers that are mailed off base; expenses come out of surcharge income.

Some things AFCOMS is doing to reach more shoppers is to create ads that are run free of charge in military publications. "We did it two years before anyone else did it," an AFCOMS source says. The resale system also produced spot ads for the armed forces television and radio networks overseas.

AFCOMS even found a way to promote itself on its own brand of matches. The matchbooks sell for a minimum of 15 percent less than other brands and feature the "Wise Buy" owl. "We have tried to do everything we could possibly do at no additional cost to the taxpayer," the source says.

Says Harvey H. Inouye, director of public affairs, "All of our customers are significant. No one can be taken for granted."

Officials at TSA, however, have a somewhat different view. The number of eligible shoppers who don't shop on base is "very, very small," says Sidney Robbins, chief of the Operations Branch. "Anyone who has commissary privileges who does not shop in the commissary is either a millionaire or a damn fool," he tells MILITARY MARKET.

"Perhaps the only ones who don't shop in the commissaries are those who don't know any better," says Public Affairs Officer Flo Dunn. This doesn't mean, however, that the agency does nothing to educate its customers on the benefit. "We've talked to wives' clubs. We've even talked to the troops to tell them what the benefits are. Some people just don't compare the prices with those in the civilian stores," Robbins says.

'Using Every Means We Can'

One resale system taking advantage of DoD's softened policy on advertising is NAVRESSO. Field support offices at Seattle, Norfolk and Davisville, R.I., have sent mailings to eligible patrons in an effort to encourage on-base shopping; the system also advertises in military newspapers, such as "Navy Times."

Headquarters NAVRESSO has urged the FSOs to make mailings to authorized patrons. "We have even told them how to get the names," says spokesman John Russas. Some sources of addresses of eligible patrons are Fleet Reserve Associations and DoD payroll lists. The DoD lists give addresses, but not names, in a specific zip code, allowing the Navy stores to target their ads to those living nearby.

"We use every means we can, and this is one way to reach the infrequent shopper," Russas tells MILITARY MARKET.

Another program designed to promote on-base shopping is the Welcome Aboard seminar, which includes a briefing on the commissary and exchange benefit. Headquarters also suggests that the stores pass out address cards at this time, asking servicemembers if they would like to be on a mailing list for advertisements of sales events.

In addition to in-store flyers produced by the commissaries, mailings are done, under the DoD directive allowing advertising, as a nonappropriated fund expense. Exchanges, on the other hand, are required to pay their own postage. "We have suggested they obtain bulk-mailing permits, and to send the flyers far enough in advance that they reach the patron in a timely fashion," Russas says. "The bulk-mailing permit also reduces costs."

To target the problem of customer discontent more definitively, NAVRESSO has been conducting a survey on shoppers' attitudes *(See box on page 48)*, the results of which will be released in November.

Since AAFES currently limits its promotional efforts to on-base activities, it has been making a concerted effort to make the advantages of exchange shopping apparent to those who do enter the store, whether they are frequent — or infrequent — shoppers. Besides in-store tabloids and news stories in installation media, AAFES uses some civilian merchandising tactics to beat the off-base stores at their own game. These include spots on closed-circuit television and closed-loop radio.

"We have also been heavily promoting the Home Shopping Guide and the U.S. edition of the Exchange Catalog," Sitrin says. The guide lists exchange phone numbers and contains merchandise unavailable in smaller exchanges.

Sitrin believes AAFES' promotions get good coverage among active duty personnel, but for retirees, "who generally shop the exchange once a

Getting the Customer's Side of the Story

By NANCY TUCKER
Editor

WHILE 85 PERCENT of the active duty Navy force is comprised of enlisted personnel, Navy exchanges have long been perceived as places where only officers shop.

NAVRESSO, prompted by its command master chief, has been trying to erode this perception over the last couple of years, and the most recent effort in its campaign to draw more enlisteds into the stores is a videotape. In it, active duty Navy enlisted personnel and enlisted dependents tell exchange officials some things they'd probably rather not hear.

The film is a picture of "what our customers think about their exchanges — and not what we want them to think about them," in the words of Capt. Steve Evans, the agency's vice commander, who opens the film with a brief on-camera introduction.

To make the film, NAVRESSO hired an outside consulting firm, Response Analysis, of Princeton, N.J., which then conducted a dozen "focus group" interviews. Half were held in Norfolk in April, the remaining half in San Diego in May. Twenty-two hours of tape have been edited down to 41 minutes, which Navy Headquarters exchange buyers, field support office staffs and store level officials are now able to watch on cassettes, said Eileen Cummins, NAVRESSO's consumer research coordinator. The cassettes were expected to be available during September, John Marecki, assistant deputy commander of the Exchange Operations Group, told MILITARY MARKET.

To enhance spontaneity, the interviews were conducted by the civilian consultants rather than by military personnel, and identification was by first name only, although most of the active duty participants were in uniform. The interviews were limited to active duty enlisted personnel or enlisted dependents; the two groups were not mixed. Active duty personnel were divided into sessions for E-3s through E-5s, and separate sessions for E-6s through E-8s and E-9s. The dependents in the filmed interviews were not the spouses of the active duty personnel in the interviews, but were recruited separately. "Frequent" shoppers among the dependent groups were recruited while shopping in exchanges; "infrequent" shoppers were contacted during their commissary shopping trips.

Most of the film is composed of excerpts from the actual interview sessions. Discussion is sometimes heated and opinions are uncensored. But there are 10 points made during the interview sessions upon which substantial unanimity was achieved. Navy exchanges, say the people on film, should:

- provide a way to buy on credit other than the layaway program;
- build up budget merchandise, especially in the areas of women's, children's and off-duty clothing;
- permit exchanges in ConUS to carry major appliances and other high-cost merchandise like televisions and stereo components;
- find a way to get exchange advertising into customer households;
- clear up consumer confusion about the difference between budget and green tag merchandise;
- make sure the stores have enough of the most desirable sizes and styles, especially in the clothing area;
- use additional merchandising devices (like giveaways or trial packs) to increase trial and continued usage, especially on Navy Exchange brand merchandise;
- make a virtue of exchange customers' price sensitivity by stressing low exchange prices and the absence of sales taxes;
- understand that customers expect the exchange to provide the same conveniences as civilian competitors — hours of operation, credit, advertising; courtesy training is especially important to enlisted shoppers;
- make the exchange a valuable part of the Navy by increasing customer loyalty.

Focus groups are generally used to determine shopper attitudes and motivations and not to establish policy recommendations, so Navy exchange officials stress the informality of these recommendations and the fact that the participants in the focus group interviews do not represent a statistically valid sample.

NAVRESSO is, however, moving forward with more detailed face-to-face interviews — 1400 of them, done in seven geographical areas — which will provide additional information. The content of the questionnaires follows leads provided in the videotaped group interviews and will undoubtedly result in some policy changes and fine-tuning of NAVRESSO marketing strategies.

What are some of the things that may come out of this process? While officials stress that no decisions have been completed, the Navy Exchange brand program could be expanded to the clothing area especially in long-committment categories like socks, and color changes may be made to resolve the confusion between the green tag and budget merchandise programs (both presently use green).

The Navy is also behind the current push in the Defense Department and Congress to test major bank credit cards in exchanges. High-level NAVRESSO officials estimate that use of credit cards in exchanges could bring the system $60 million a year, about a four percent increase in sales.

MM

REACHING OFF-BASE SHOPPERS

month . . . the matter of convenience overshadows the cost savings to these people. They know they can save by shopping with us, but for a few dollars, is it really worth their time and gas to visit the base?"

The Exchange Catalog and Home Shopping Guide are therefore means of attracting the dollars of the off-base shopper without making him travel to the base. "This is where we feel catalog shopping will come into its own," Sitrin says.

'They Don't Do a Lot'

Many of those responsible for selling to the commissaries and exchanges tell MILITARY MARKET that the resale systems don't do nearly enough to promote themselves.

"I've seen a lot of flyer activity, especially in the Navy, but the resale systems overall don't do a lot. They don't do a good job of telling people what they have to offer," one military marketer says.

"At the very least, they could tell their customers with signs on the base where the exchange and commissary are. Many of the new recruits don't even know where they [the stores] are," says Dale Turner, vice president of military, international and special markets for The Wine Group. "I've gone to bases where even the people at the gate didn't know where the stores are," he says.

Turner also believes manufacturers could help. "Suppliers could set up their own loss leaders. It gives the product name a lot of exposure," he says. During one promotion 1500 cases of wine were sold in two weeks at a single base, Turner says. Reason: The package stores were able to sell the wine, under a company-sponsored loss leader program, for 95¢ a bottle.

Another salesman tells MILITARY MARKET that to reach shoppers living off base the resale systems need to advertise in military publications that are *delivered* off base. "Those magazines that are distributed at the commissary only reach shoppers already shopping on base. Many of those magazine are discarded and never get home," he says.

"Where they [resale systems] fail is when new families come on base. When the servicemember gets the check-off sheet, it should include a space to check off the fact that they've been given a briefing on the commissary and exchange," says a third military marketer.

'Manufacturers Could Help'

AAFES sees one of the problems of reaching more shoppers as a lack of awareness among manufacturers of the importance of the military market. "Manufacturers supporting AAFES' sales promotions could help bring customers back to the exchange. Cents-off coupons, advertisements [geared for the military market] could help bring them back," says Sitrin. "ALA and the Armed Forces Marketing Council have to convince manufacturers of the value of the military market — its size, purchasing power and the fact that the exchange helps build a market for their products which extends long after the customers leave the service. The military gets young people who have not yet made brand-preference commitments," he says.

Another way for manufacturers to reach more shoppers would be for them to make more and better use of demographic data from organizations such as the Army Times Publishing Co., Sitrin says. "If manufacturers would take advantage of these data they could pinpoint their promotions to the group with greater success."

AFCOMS sees its Market Basket Surveys, and their subsequent publication in military publications like *Air Force Times*, as an important way to reach and educate off-base shoppers. Like AAFES, AFCOMS views military coupon promotions as an effective method to encourage shopping on base.

Why Not on Base?

According to AFCOMS' Inouye, two problems are primarily responsible for shoppers defecting to off-base stores: the close proximity of civilian stores to those living off base and customer ignorance of the savings available.

A 1982 survey also gives some clues on customer dissatisfaction, especially in softgoods. AAFES conducted a survey of 13,510 patrons at 29 ConUS installations to gather information on customers' clothing shopping habits. Across the board, for women's, men's and children's wear, the most frequent complaint about exchange clothing selections by customers who bought their clothing in off base stores was size selection. Convenience of location was only mentioned by about three percent of the respondents, and convenience of shopping hours was even less a factor, mentioned by only two percent. Better prices was the second-most frequently cited reason for shopping off base.

Although the 1983 A.C. Nielsen price comparison results showed a savings of at least 20 perecent over civilian stores, these stores use such gimmicks as loss leaders to lure customers away from the base. AAFES does not as a rule use loss leaders to induce customers to shop in its stores, although it can if it so desires.

According to John Russas, NAVRESSO's director of public affairs, generally, the exchanges do not sell below cost. "Occasionally we have gone below cost to be competitive." He says NAVRESSO is coming out with an optional program that will allow any exchange to take a position of not being undersold. In this case, the store can go below cost. Under the program, a customer must come into the store with a current ad for the product from a civilian store in the same geographic region as the exchange. The price will then be lowered for that customer and any others who follow the same procedure.

Under House Armed Services regulations, commissaries can never sell below cost.

'Dumb to Try to Compete'

Officials believe that in the long run it would be more prudent for civilian retailers located near the base, especially those who would like to see an end to the resale systems, to offer services and products the systems are unable to provide. "I feel that trade associations and the media have to convince the outside-the-gate retailers to quit griping and writing their congresspeople and instead adjust their stock assortment to be compatible with AAFES," says Sitrin. "It's dumb to try to compete with a $4.6 billion organization. We can buy larger quantities and at lower prices than they ever can.

"They should be promoting those things we don't or can't sell — televisions, large appliances, accessories. They should get into parts and service, delivery and credit. They should think about becoming an AAFES concessionaire. That way they can get a piece of the on-installation business as well as that outside the gate," Sitrin adds.

No one can fault the resale systems for not doing their part to promote themselves. Constraints on operating hours, advertising, loss leaders (in commissaries) and authorized stocks make it difficult for on-base stores to compete with unrestrained civilian stores. Coupled with many servicemembers' misconceptions about the potential for savings, these constraints are even more significant. Sitrin sees the patron as the one who ultimately must weigh his shopping choice: "The customer has to determine whether the price difference is worth the inconvenience of coming out to the exchange to save."

MM

Military Market Index

Commissaries

		JUNE			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
Air Force	CONUS	$154,763	$144,095	+7.40	$874,118	$814,567	+7.31
	OVERSEAS	29,155	26,744	+9.02	174,166	161,966	+7.53
	TOTAL	**183,918**	**170,839**	**+7.66**	**1,048,284**	**976,533**	**+7.35**
Army	CONUS	103,425	102,128	+1.27	619,172	592,280	+4.54
	OVERSEAS	35,070	29,848	+17.50	199,774	178,880	+11.68
	TOTAL	**138,495**	**131,976**	**+4.94**	**818,946**	**771,160**	**+6.20**
Navy	CONUS	65,675	51,728	+26.96	330,179	303,697	+8.72
	OVERSEAS	7,260	5,932	+22.39	37,701	35,638	+5.79
	TOTAL	**72,935**	**57,660**	**+26.49**	**367,880**	**339,335**	**+8.41**
Marines	CONUS	11,817	11,092	+6.54	67,813	64,959	+4.39
	OVERSEAS	188	183	+2.73	1,131	1,054	+7.31
	TOTAL	**12,005**	**11,275**	**+6.47**	**68,944**	**66,013**	**+4.44**
Coast Guard	CONUS	313	308	+1.62	1,622	1,668	-2.76
	OVERSEAS	131	116	+12.93	1,027	1,100	-6.64
	TOTAL	**444**	**424**	**+4.72**	**2,649**	**2,768**	**-4.30**
All Commissaries	CONUS	335,993	309,351	+8.61	1,892,904	1,777,171	+6.51
	OVERSEAS	71,804	62,823	+14.30	413,799	378,638	+9.29
	TOTAL	**$407,797**	**$372,174**	**+9.57**	**$2,306,703**	**$2,155,809**	**+7.00**
Grocery Stores	U.S.[1]	**$20.720 bil.**	**$19.585 bil.**	**+5.80**	**$119.168 bil.**	**$114.419 bil.**	**+4.15**

Exchanges

		JUNE			YEAR-TO-DATE		
		CY'83	CY'82	%CHANGE	CY'83	CY'82	%CHANGE
AAFES	CONUS	$242,176	$232,774	+4.04	$1,329,070	$1,273,709	+4.35
	OVERSEAS	156,314	150,302	+4.00	914,056	874,003	+4.58
	TOTAL	**398,490**	**383,076**	**+4.02**	**2,243,126**	**2,147,712**	**+4.44**
Navy	CONUS[2]	86,015	85,036	+1.15	493,884	490,641	+0.66
	OVERSEAS[2]	37,622	34,857	+7.93	212,502	202,219	+5.09
	TOTAL[2]	**123,637**	**119,893**	**+3.12**	**706,386**	**692,860**	**+1.95**
Marines	CONUS	27,985	27,803	+0.65	162,377	162,064	+0.19
	OVERSEAS	4,383	4,750	-7.73	28,692	27,579	+4.04
	TOTAL	**32,368**	**32,553**	**-0.57**	**191,069**	**189,643**	**+0.75**
Coast Guard	CONUS[3]	6,314	6,152	+2.63	35,224	35,160	+0.18
	OVERSEAS[3]	861	686	+25.51	4,803	3,920	+22.53
	TOTAL[3]	**7,175**	**6,838**	**+4.93**	**40,027**	**39,080**	**+2.42**
Mail Order	CONUS[4]	965	958	+0.73	7,193	6,290	+14.36
	OVERSEAS[4]	3,743	3,396	+10.22	23,297	23,289	+0.03
	TOTAL[4]	**4,708**	**4,354**	**+8.13**	**30,490**	**29,579**	**+3.08**
All Exchanges	CONUS	363,455	352,723	+3.04	2,027,748	1,967,864	3.04
	OVERSEAS	202,923	193,991	+4.60	1,183,350	1,131,010	+4.63
	TOTAL	**$566,378**	**$546,714**	**+3.60**	**$3,211,098**	**$3,098,874**	**+3.62**
Department Stores	U.S.[1]	**$9.188 bil.**	**$8.257 bil.**	**+11.28**	**$48.121 bil.**	**$45.162 bil.**	**+6.55**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.